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American Business and The Great War

Specific Cause of War Booms — How They Have Worked in the Past — The Same Causes at Work Now

By PAUL CLAY

ARTICLE III.

IN the first of these articles it was pointed out that although the Napoleonic wars were financially the most disastrous in the history of modern civilization, the economic principles or laws which govern the rise and fall of business prosperity retained their full force. In the second it was explained why bear markets in securities end so early even in the greatest of military conflicts; and now it is proposed to show exactly why and how booms in business originate and develop during great wars. None of the points made in the two previous articles will be re-argued here.

ECONOMIZING.

The very first of all the factors, that is, first to begin its work of bringing about a boom in business, is the severe economizing which takes place from the moment such a war begins. That such a process has been going on in the United States since the first of last August needs no demonstration. Every one has felt it. It is nevertheless well to make sure by observation of past experiences that this rigid economy is not an accident peculiar to the present war, but is rather the rule of all great conflicts.

In the case of the Napoleonic struggle the severe elimination of all expenses which were not absolutely necessary began in 1793 and continued throughout 1797. The process of economizing, moreover, took exactly the same form as it is taking now. The first thing we eliminate when we find ourselves short of money is the thing which we need least. It is the luxuries and indulgences of life rather than those articles which are absolutely required to keep us from cold and hunger. Hence merchandize prices upon such occasions automatically divide themselves into two classes: the absolute necessities on the one hand, and the articles of optional consumption on the other. In the latter may be included nearly all metals, since they are used largely in building construction or in the manufacture of wares, and also there may be included many articles of dry goods, since it is quite possible to wear old clothing instead of buying new.

Both in 1914-1915 and in 1792-1797 the absolute necessities went up in price, and the articles of voluntary consumption went down. Wheat in 1793 went up about 12 per cent. in Great Britain and wool went down about 15 per cent. Indeed for a time the impoverishment of the people was so great that meat became more or less of a luxury, and its price in 1793 averaged somewhere about 4 per cent. less than the previous year. In the

same way during recent months prime necessities like breadstuffs have greatly advanced while metals, lumber and even fruits have declined. In both cases the severe economizing was the cause. Not only wool but also cotton was consumed in much smaller quantities from 1793 to 1797 than during the previous five years. In 1792 the consumption of Great Britain was about 33,400,000 pounds, but in 1793 it was less than 18,000,000 pounds, while in 1797 it was less than 23,000,000 pounds.

EFFECT OF UNEMPLOYMENT.

Still another evidence of the strenuous effort to save money was the unemployment of labor. The financial crisis of 1793 with the banking troubles which accompanied and followed it, caused many business men to fail and made it necessary for hundreds of others to discharge many of their employees. Even at that time foreign commerce represented a very large portion of Great Britain's total business. Such authorities as Adam Smith, Jean Baptiste Say, and Michael G. Mulhall have regarded England's foreign commerce of that time as an accurate measure of the total volume of her trade and production both foreign and domestic. Hence the reasons for the general unemployment are well illustrated by the fact that the totals clearances of British ships bound for foreign ports, after increasing from 840,606 tons in 1782 to 1,561,158 in 1792, then decreased to 1,240,202 in 1793 and 1,145,450 in 1797.

During this period of four or five years, when every one was subsisting on the bare necessities of life, and when every employer was cutting expenses to the best of his ability, the unemployment in Great Britain apparently varied from 16 to 26 per cent. of the total working force. By the latter term is meant the total force ordinarily engaged in gainful occupations. In November and December, 1914, before our factories began to reopen, it was estimated that the unemployment here was between 13 and 17 per cent.

There is no need to add to the evidence previously given that an accumulation of capital actually did occur between 1794 and 1802; but it is to the point to observe the probable extent of this accumulation, and also how the accumulation itself helped to bring about general business prosperity.

As it is known that the unemployment was then somewhere between 16 and 26 per cent. of the total working force of Great Britain, it may be shown for illustration how large a saving would result from throwing 20 per cent. of all employees out of work. At all times when men are discharged it is the least desirable men who have to go, and consequently the average wage of those discharged is always below the average wage for the whole country. For this reason the idleness of 20 per cent. of the men does not decrease the total national outlay for wages by 20 per cent. In this case the saving may be estimated at about $95,000,000, whereas the total income of the British people was then approximately $756,200,000 annually.

Not all of this saving, of course, ever became available as "capital" since there was a sharp decline in the incomes of many employers. But unquestionably a considerable percentage of it, probably between 10 and 20 per cent., did become available for lending or for investment in one way or another. A close study of the banking statistics of the time indicates that $80,000,000 was a reasonable estimate of the total yearly savings of Great Britain in 1792 before the trouble began, and that by 1799, in spite of the panics of '93 and '97, this yearly saving had increased to almost $90,000,000. Three-quarters of a century ago financiers and statesmen paid much more attention to these questions of the incomes and savings of the people than we do now, and accordingly a wealth of data is available.

HOW BUSINESS REVIVES.

As to the manner in which an accumulation of investment capital improves general business, one may illustrate equally well with the experience of any age or nation. The operation is always the same, and it always consists of a stimulant administered to one part of our industrial system, and passed around to others until every business in the land has felt its vitalizing effects. This stimulant is usually an increased expenditure, made out of the accumulation of capital, for wages and materials. These

are the things which new capital goes for. As a general average, subject to the widest individual variations, wages constitute about 50 to 60 per cent. of operating expenses, and materials 25 to 40 per cent. Furthermore, as showing the vital importance of "capital" or past savings as distinguished from current earnings, it is evident from a careful survey of the industries of the United States that fully 80 per cent. of all the wages paid are temporarily advanced out of past savings by the employer. He has to wait for his reimbursement until the earnings made through his advances for labor and materials are realized, and this interval varies from a few days to a year or more.

The exact manner in which the process of stimulation takes place is that a corporation or individual borrows some of the capital accumulated and puts it into use. If it be a corporation the amount borrowed is generally obtained through the issue of bonds and is in the nature of a permanent investment in the property. In such a case the money is spent partly for construction work, and labor is one of the very largest items of expense in any work of this kind. If it be an individual the borrowing may be in the form of a bank loan and for the purpose of carrying a larger stock of goods. In either case the amount of employment given is increased and so is the total of goods or materials purchased.

Capital devoted to wages is speedily paid out to the retail grocer, clothing dealer, coal dealer, etc., by the laborer. From the retailer a large percentage of the total original wage payment passes to the wholesaler, thence to the jobber, next to the manufacturer, from him to the producers of raw materials, such as farmers, lumbermen and miners, from them back to the retailer, and around the whole circuit again. Of course each one takes out a part for himself before passing on the original sum paid out as wages; but this means only that as the stimulation passes from one hand to another it loses something of its force. Simultaneously, however, each individual that it touches is thereby rendered more optimistic and more likely to borrow a share of the accumulation of capital himself, enlarge his operations and start a new circuit of stimulation. It is in this way that the capital saved up in the early economizing portion of a great war so greatly helps to bring about a boom in business.

LOW INTEREST RATE.

Another factor which tends in the same direction is the low level of interest rates which comes to prevail. From 1797 to 1799 average interest rates in London fell from a little over 6½ per cent. almost to 4¾ per cent.; and in the United States rates fell from an average of 6.80 in 1860 to 4.99 in 1863. Likewise the Bank of England rate declined from an average of 5.27 for 1861 to 2.53 in 1862. People have a general idea that in some way more or less mysterious a fall in interest rates does help business, but they do not see the arithmetic of it. It is readily recalled that the low rates of 1863, 1879, 1887, 1897, 1904 and 1908 were invariably followed within a year or two by a substantial degree of prosperity.

The arithmetic of the matter can best be expressed by noticing how a movement of interest rates affects the industries of the United States taken as a whole. There are outstanding in this country in the neighborhood of $20,200,000,000 of bonds, and $15,000,000,000 of bank loans, upon which the average rate paid is probably not far from 5 per cent. The total interest then may be regarded as about 5 per cent. on $35,000,000,000, and this is a very substantial proportion of the entire net earnings of all the leading industries in the country. Interest charges must of course be regarded as a deduction to be made from net earnings in obtaining the surplus earnings available in the case of corporations for dividend payments and in the case of individuals for the payment of personal expenses.

Now the aggregate net profits of all the leading industries in the United States as of 1910 or 1911, the figures not being available for any one year, were about $7,110,000,000. This does not include some of the smaller industries; and to include these and bring the figure down to date we may assume $8,000,000,000 to be the grand total of net

profits. The question now is what would be the effect of lowering interest rates by two points or per cent., as was done in the Napoleonic wars and the Civil war. Two per cent. on $35,000,000,000 is $700,000,000, and this would be equivalent to an addition of 8.7 per cent. to the above $8,000,000,000. In other words, a reduction of 2 per cent. or points in average interest rates is the equivalent of an increase of 8 or 9 per cent. in margins of profit.

Margins of profit rise from four to five times as fast as interest rates fall. What wonder is it then that the fall in interest rates in the early portions of great wars has always proved so powerful a stimulant to business?

RISING PRICES.

The next important factor is the rise in commodity and goods prices which always occurs at such times. From 1860 to 1864 Dun's index number rose from 121.6 to 312.7; and from 1797 to 1800 Jevons' index number went up from 110 to 141¼. Now the manifest tendency of an advance in prices is to widen margins of profit, and thereby stimulate business.

It is true that a rise in commodity prices is partly offset during these great military conflicts by a rise in wages; but it is not fully offset. For example, from 1797 to 1800 prices as shown by Jevons advanced 28.4 per cent. and wages rose about 17 per cent. on the average. A slight examination will show what happened to net earnings.

Letting 100 per cent. represent gross earnings before the rise, we may assume that wages consumed 60 per cent. of gross, and other operating expenses 15 per cent., thus leaving a net profit of 25 per cent. After the rise in both wages and prices gross earnings would be represented by 128.4, wages by 70.2, and other operating expenses by about 18.4—figuring that these latter expenses rose about 23 per cent. Thus 98.6 would represent total operating expenses, and 29.8 would represent the net earnings on a constant volume of business. However, the volume of business at such times always increases, and we may assume it to have gained at least 10 per cent., thus raising this 29.8 to 32.9. This compares with a net profit of 25 before the rise; and it therefore appears that the advance in prices in spite of the rise in wages must have increased net earnings by about 31 per cent.

Lastly, a very important factor in producing war booms is the heavy purchases of supplies by the hostile governments. An examination of the finances of wars shows that more than 50 per cent. of the entire cost of a war goes for the provisions of the troops and horses, the ammunition and the fitting out of the forces. This means that the British government from 1793 to 1815 must have spent for supplies a sum aggregating about $2,800,000,000. Furthermore, it means that in the last four years of the war the supplies bought by the government were so large as to be equivalent to about 19 per cent. of the aggregate yearly income of the British people. When the government stands ready to buy so enormously it is no wonder that prosperity becomes general.

The forces, then, which produce booms in business in the second stage of a great war are perfectly plain and definite and quite certain to operate. They are: First, an accumulation of capital, stimulating every branch of trade; second, a low level of interest rates substantially increasing net profits; third, a big rise in commodity prices further widening margins of profit; and fourth, a huge volume of war orders.

Each of these forces is operating in this country at the present moment. They have lost none of their potency with the passing of time, and it is difficult to find either in a minute analysis of present conditions or a close inspection of past history, the slightest reason to doubt that business is right now on the eve of a real boom.

In the next article of this series by Mr. Paul Clay, the features of war bull movements will be discussed, and it will be shown that such movements are not dependent upon the fortunes of war.—See the next issue of "The Magazine of Wall Street."

Iron Production of the World

Tremendous Strides Made by the United States and Germany

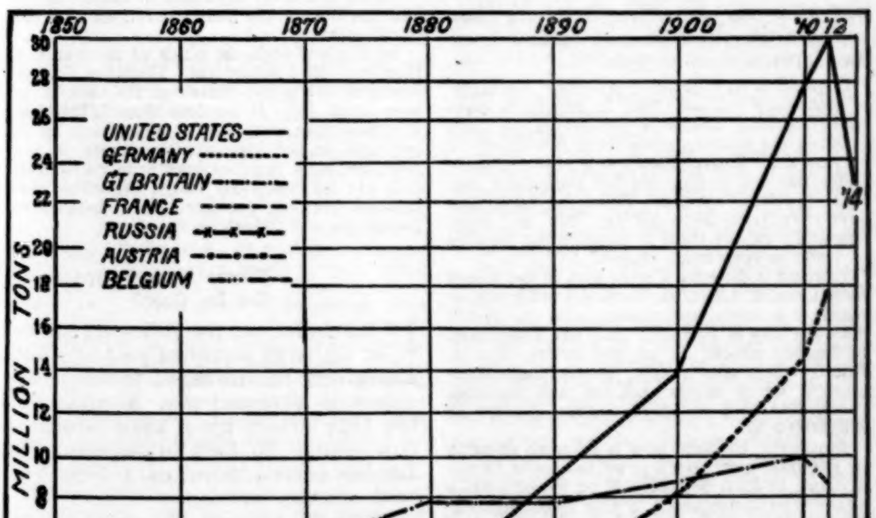
THE graphic on this page shows the pig iron production of the principal producing countries of the world since 1850 in millions of tons.

The most notable features are the tremendous increases in production in the United States and in Germany and the failure of England to show any important gain since 1880. Other countries have shown moderate advances in the total of iron produced, but they are still a comparatively small factor in the world's output.

The causes of the rapid increases in Germany and in America are well known. The United States has an almost inexhaustible supply of ore and as our industrial development has proceeded we have naturally drawn on our raw materials more and more freely. Fluctuations from year to year are large, as shown by the sharp drop in 1914, but the average keeps rising faster and faster.

The industrial growth of Germany has been second only to the United States and its iron production has kept pace with its industries.

Most readers will be surprised to see that in this particular Great Britain has made almost no progress for thirty-five years. This is in part due to limitation of territory and smaller supplies of ore than are available in America. It is also the fact that general industrial development in England has been lagging as compared with America and Germany.



MONEY, BANKING AND BUSINESS

What Thinking Men Are Saying

About Financial, Investment and Business Conditions

Dr. Dernburg Breaks the Bank of England.

BOTH England and Germany are now, naturally enough, viewing each other's financial condition with great alarm. Any English financial authority can prove that Germany's credit is nearly exhausted, and German spokesmen tremble for the Bank of England.

The Bank of England has been losing gold for some time, while its loans have been increasing, bringing the reserve percentage down to nearly 24, the lowest since October and scarcely one-half that of a year ago. Dr. Dernburg thus explains the situation of England from the German point of view:

England is in a peculiar position. Germany is practically cut off. She is unable to purchase anything and it is impossible for gold to leave the country since there is nothing to be paid for. England does not produce foodstuffs, has not enough for her population and must purchase abroad. Prices of foodstuffs have risen from 30 to 100 per cent., and since England's export trade is crippled the balance of trade is very much shaken.

England is drawing a large part of her forces from Canada, Australia, India and other places, which is a costly undertaking, and the money does not stay in England. She has undertaken to finance almost all of the others, Russia, France, Belgium, Japan, Servia and Montenegro, which means cash out, and the huge sums, according to Lloyd George, amount to $10,000,000,000.

Moreover, England now is forming an army of 2,000,000 men, which is an enormous item—I figure at least $800,000,000 to $900,000,000 a year. The consequence is that although England has been receiving large quantities of gold from the United States and the output of all the big Transvaal mines the percentage of gold covering the notes of the Bank of England has never been lower than at present.

On July 31 German notes were covered to the extent of 30.1 per cent. in gold; England's, 38.5. On January 23 German notes were covered to the extent of 35.1; England's, 35. All these are prominent features and England has only the choice either to ship gold and thereby reduce her note cover or let herself be drawn upon—that is, to take credits.

France cannot be of any great help. She has lent more than $8,500,000,000 to other countries, most of which cannot pay interest except by new financing. Russia, Egypt, Turkey, Portugal, Tunis, Austria, China, Servia, Belgium, especially the South American States, were in very bad shape long before the war, and as France can only invest her new savings, of which there will be none, and as her best parts are in German hands, no help can come from this side.

But the darkest spot in the situation is Russia. She had contracted with France alone before the war for $550,000,000, but only one-fourth has been actually paid up, so she was already short before the war started.

Russia has never been able to finance herself and has been every year the largest borrower in all markets.

So England feels the pinch of the war more than any other belligerent. Germany does not lose gold and is self-contained, the bank having won since July 31 no less than $223,000,000. Her war loan is selling at a premium of 2½ per cent. in the open market; money is very easy, the bank rate has been reduced, treasury bills are very willingly taken, the whole commercial life has regulated itself beyond expectations and industries are busy.

* * *

Where Does Germany Get Its Gold?

IN the meantime, the Allies are puzzled at the large supply of gold which the Reichsbank has managed to keep. The theory is advanced that Austrian gold has been drawn upon, since Austria is now issuing no bank statements. The London correspondent of a New York bank recently wrote:

The gold sent from Germany to neutral countries has been Austrian and not German gold, and this is highly significant in view of the fact that Austria-Hungary publishes no bank return. It would therefore be quite easy for the gold cover of Austria-Hungary to be utilized by Germany. It is also interesting to note that the war chest at Spandau, said to contain some ten millions sterling of gold, was transferred to the Reichsbank, Berlin, in order to swell the gold held by that institution. A

"A WORD TO THE WISE."
—*Philadelphia Record.*

short time ago the leading German newspapers published special articles requesting the public not to hoard gold, and even pointing out that it was necessary to send jewelry and articles of gold in order to increase the holding of the yellow metal at the central institution. It is superfluous to compare these frantic efforts of Germany to obtain gold with the normal situation that has all along existed in Great Britain.

J. Laurence Laughlin, Professor of Political Economy at the University of Chicago, analyzes the German financial situation as follows:

Even though food may be provided, the reduction of industry in general has cut incomes right and left. That is, fewer goods are produced and exchanged. But goods are the basis of all credit. The less the goods exchanged, the less the credit operations. Nevertheless, the extraordinary issues of banknotes, the increase of deposits, as a result of quintupling the loans, means that former commitments in goods and securities cannot be liquidated. That is, the enormous increase of bank liabilities is not supported by liquid assets. These assets are "canned." Will they keep sweet? There is no new business, no foreign trade, sufficient to take up old obligations and renew those which are unpayable. Lessened incomes mean lessened consumption and lessened demand for goods. Hence the credit system is based on an uncertain and insecure foundation, dependent wholly upon contingencies far in the future which may, or may not, take the non-liquid assets out of cold storage and give them their original value.

The need for a medium of exchange is oversupplied. The lack is in the goods to be exchanged. The enormous extension of German note issues does not, and cannot, diminish. In this country the expansion of credit and money immediately after the war (manifested by the issue of Clearing House certificates and emergency bank notes) has been cleared away by liquidation. In Germany, the "canned" assets behind the depreciated currency cannot be liquidated until the end of the war. And their worth at that time will depend much on the future course of the war and the terms of peace.

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Future of Our Foreign Trade.

OUR own foreign trade prospects are in part dependent on the financial condition of the combatants, as it is to Europe that we are now selling most of our growing exports. There can be little doubt, however, that our business with South America will in time receive a great impetus from the war. E. E. Pratt, of the Department of Commerce at Washington, in a recent address to the Detroit Board of Commerce, said:

Is the present time an opportune one for opening up new markets in South America? Emphatically, yes! Is the present time an opportune one for selling goods? Probably, not so emphatically, no! And here is the difference; this is the time to send a salesman or, better, a business diplomat, into South America, to study the markets, to learn the country, to meet the people, to become acquainted with the trade and to lay the foundations for future business. To expect, however, to obtain large financial returns from this new and difficult field is only the folly of the uninformed. You would scarcely expect a salesman in a new domestic territory to show a profit on his initial trip. Then why expect it in a foreign territory?

What I have said with reference to South America, applies to a large part of the world. Conditions are readjusting, they are fast becoming normal. Now is the time for the manufacturers of this country to wake up and build up their trade in foreign countries.

Is it true that we are a debtor nation and cannot hope to finance foreign trade on a large scale?

During the fiscal year ending June 30, 1914, the net balance of trade against the United States may be estimated at about $55,000,000, but during the last six months only of 1914, the balance had shifted, and even counting in the invisible factors which I have mentioned, the balance was for those six months $150,000,000 in our favor. As a matter of fact we are piling up a net favorable balance of about $75,000,000 per month at the present time.

These sums which are being placed to our credit abroad, are being used to pay off our indebtedness, and the best evidence of the reversal of conditions, and the fact that the United States is now entering upon a CREDITOR period in her history, is that within the last few months tremendous exportations of gold have been sent here by European nations to pay off their indebtedness to the United States and loans have been made by our bankers to other nations, as for example, to Argentina, Sweden, and to Russia.

We are entering upon a period of export capital, and we are now in a position as we have never been before to invest our capital in the industries and developments in foreign countries.

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Seeing Business Through Colored Eye-Glasses.

VERY few men can contemplate the condition of business with that serene detachment that entirely excludes their own interests. For example, as we all know the Bethlehem Steel Company is doing a good business, largely as a result of the war, while the Rock Island Railway has been meeting little but new troubles for several years. C. M. Schwab, president of the Bethlehem Steel Company, says:

Prices have now reached the bottom and will not go any lower. There is little profit in the manufacture of steel and iron at their present prices.

I think the outlook is much brighter than it was a couple of months ago.

The present depression is one of those periodical reactions that come from various causes. One of the most important, I think, is legislation and curtailing by the big purchasing interests.

But Daniel G. Reid, until recently one of the controlling interests in Rock Island affairs, testified as follows before the Interstate Commerce Commission:

"I wouldn't accept a controlling interest in any Western or Southwestern railroad today as a gift if I had to agree to operate it for ten years," said Mr. Reid bitterly.

"Are conditions getting better or worse?" interjected Commissioner Clements.

"Worse," said Mr. Reid. "When you cut out practically all earning power by raising wages and taxes in the face of lowered rates you destroy the margin of profit. Wages have gone up steadily for the past fourteen years, in all departments save the office clerks."

"Is not the trouble due in your case to taking in at high prices worthless securities," asked Mr. Folk.

"That is a trifle," said the witness.

* * *

Pres. Truesdale Non-committal.

OUR most conservative business leaders still refuse to commit themselves as to the permanent effects of the war on business conditions. Thus W. H. Truesdale, president of the Lackawanna, says:

The basic conditions of the large interests of the country are undoubtedly as sound and [illegible] in every way as ever before in the country's history.

While the railroads of the country, owing to their reduced business and earnings during the past two years, have not expended as large sums as they ordinarily would for new and improved facilities, no doubt they have, generally speaking, maintained their properties and equipment in good, serviceable condition, and with any general development of business will be able to render prompt and satisfactory service to their patrons.

Those of them whose credit has not been impaired, for one reason or another, will be in shape to secure the capital necessary to quickly make any additions or improvements that increased business may reasonably require.

Of course, at this time it is impossible to even venture an opinion as to how long the European war may last.

It does not seem possible that we can escape serious loss and some considerable depression in business.

Until the war is over, and the accounts are made up and the losses financed, what the ultimate effect upon us will be is purely speculation.

Harris, Winthrop & Co. recently sent out about 2,000 question blanks to business men all over the country. Responses to some of the most important questions were as follows:

Have jobbers and distributors large or small stocks of goods? Answers: Large, 55; small, 646.

Are those who are able to save investing their savings or allowing them to accumulate in the banks? Answers: Investing 260; not investing, 441.

Is unemployment of labor unusually large? Answers: Small, 129; about as usual, 137, unusually large, 435.

Can the average borrower obtain money with usual facility? Answers: Credit closely scrutinized, 393; about as usual, 317; accomodation unusually abundant, 58.

Are people generally disposed to economize? Answers: Economy general from necessity, 458; economy general from choice, 184; no unusual economy noticeable, 104.

What is the outlook for 1915? Answers: Discouraging, 160; normal, 121; encouraging, 420.

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Business Still Suffers From Agitation.

GEORGE W. PERKINS, speaking before the Economic Club on "The Outlook for Prosperity," commented at length on the uncertainties of legal interpretation which still confront "Big Business," and drew this moral:

When our highest courts cannot agree as to what the business laws of the country mean and permit, when the President talks one way and his Attorney General acts the other, how can a business man know on what basis he can do business? How can capital be expected to

invest money in enterprises and do business and employ labor?

On the other hand, Judge Gary, with characteristic optimism, sees the light:

Circumstances seem to show that we are approaching the time when the investigator will be investigated; when the criticiser will be criticised; when committees and commissions will be brought before other similar bodies for judgment. It would be interesting to the public if it could be informed of the real motives which have prompted some of the official inquiries and if it could learn of the unfair methods which have been sometimes pursued, and if it should know the amount of governmental funds which have been appropriated for the use of committees and how they have been disbursed; in fact, if some of those participating could be subjected to the same scrutiny which they have exercised.

BEGINNING TO WARM UP.
—*Baltimore Star.*

England May Seize American Securities.

MARINE insurance underwriters have recently refused to issue policies covering transportation of securities emanating from Germany and Austria, unless the following clause is agreed to by the shippers:

"Warranted free from any claim arising from capture, seizure, detention or preëmption by the British Government or their allies."

From this it is assumed that England may seize American securities on the way back to us from Germany and Austria. The New York *American* says:

Ever since the war started—and indeed, for some time before—European investors have been selling American securities here. No other securities have held up so well in price and it has been easy therefore to realize on them.

Since the Exchange re-opened Germany has been the principal seller. Berlin sold enormous quantities of Canadian Pacific and also, it was understood, large blocks of Baltimore and Ohio and other shares having an international market.

The withdrawal of insurance on all securities sent from Germany and Austria will probably restrain such selling.

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Foreign Sales of U. S. Steel Not Heavy.

THE figures showing amounts of Steel stock held abroad December 31, 1914, recently became available, and do not show any very heavy liquidation. Since December 31 there has been a continuance of slow selling from abroad, but, as the *Times* explains, the discontinuance of the dividends acts as a partial offset:

The number of common shares held abroad dropped only from 1,274,247 on June 30 to 1,193,064 on December 31, or 81,183 shares. Those sold by England alone, 77,891, would almost account for the total, and they were less than 10 per cent. of England's holdings. Those of Scotland, Ireland, and Wales actually increased. The only other considerable seller was Holland, whose holdings were reduced from 356,945 to 342,645. Those of France fell off about 4,500 shares, while Germany, whose holdings were small, showed an increase of a few shares. Increases were also shown by Belgium, Canada, and Switzerland. In most of the other countries there were only small fluctuations, up or down.

Holdings of preferred shares in foreign countries dropped from 312,832 to 309,457, or but 3,375 shares. The discontinuance of dividends on Steel common will mean incidentally a stoppage of a considerable flow of American money to foreign lands. On the basis of the shares held at the end of the year nearly $6,000,000 would have gone out this year, or at the rate of about $115,000 a week. The same is true proportionately of the considerable number of other corporations that have passed or reduced their dividends since the war began, and in the aggregate this factor has contributed—and until the dividends are restored it will continue to contribute—substantially to the growing advantage of this country in international finance.

The Small Investor and Low Priced Stocks.

THE stocks of a considerable number of companies are now selling for a few dollars a share, and there is, of course, a great temptation for the small investor to buy them on the theory that the return of prosperity will restore their value. The *Review of Reviews* has some interesting things to say about this idea:

Much testimony has recently come to hand regarding the increased buying power of the very small investor. One recent estimate places the proportion of odd-lot dealings to total stock transactions on the Stock Exchange at 32 per cent., and it is well recognized that odd lots (those under 100 shares) are mostly of an investment nature. A broker familiar with this class of business recently said that frequently odd-lot buyers acquire one share each of five different companies, and he believes this kind of buying is changing the caracter of the market, tending to diminish its irregular and speculative aspect.

But if this power of the public to absorb small lots of stock in enormous aggregates is to be rightly directed, there should be no lack of warning against the weaker, the improperly so-called "cheap" stocks.

It is thought that low-priced stocks may in the future sell higher. The further point that people can afford to buy Erie or Southern Railway common who cannot afford higher-priced stocks is utterly disingenuous, because the man who cannot afford to buy one share of Atchison preferred at $98 and pay for it outright, or who cannot afford to buy one $100 bond, has no business purchasing securities anyway. He should go to a savings bank, unless his purpose is solely to gamble, in which case solicitude ceases.

Mention of Erie and Southern Railway implies no criticism of the present excellent physical and financial management of both companies. They are merely used as illustrations, reasons for the low prices of these stocks being well known. The point is that no matter how much these properties improve in the future it will take an enormous advance in the price of their common stocks, and scores of other low-priced shares, to make up for the loss in dividends for many years past. The simple fact that most buyers of non-dividend stocks forget is that only a few years of 5 per cent. interest or dividends at par, together with compound interest, on conservative, investment securities will outstrip even the most sensational stock-market advances. It is the old story of tortoise and hare.

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"Conservative Optimism" Rules the Stock Market.

WHILE the market is dull and price changes small, investors are showing a disposition to hold their stocks firmly. The opinions of three leading investment houses are as follows:

Business is improving; while we do not look for 1915 to be a year of great prosperity, at the same time we must not overlook the fact that the successful people of this country discount the future a long way in advance. Undoubtedly there are complications ahead which have to be reckoned with—liquidation of our securities held abroad has to be considered. To what extent this will take place, either before or after the war closes, no one can foretell. We believe it will be important.

We do not advise the purchase of securities for other than a long pull and only by those who are able to protect themselves in case of any unfavorable developments in respect to the war or otherwise which temporarily might adversely affect security values.

We note that, day after day, American stocks are quoted in London below our prices. This can mean probably only one thing—that we have been absorbing these steadily. Really a process is going on without attracting scarcely any attention but which is of tremendous advantage to the country. We are selling, at almost fabulous prices, our produce and manufactures and Europe is paying for them in the only way it now can do so—by selling back to us our securities at low prices. The operation may have a restraining influence on the price of stocks for the time being, but Europe's supply of these is not inexhaustible and offerings, one would think, will grow less rather than more.

The New York market, while not very active, shows a strong undertone and an inclination to advance upon any favorable news. While Europe is unquestionably selling some American securities, our very large mercantile trade balance has removed all apprehension of in-

A LONG RANGE SHOT.
—*Richmond Times-Dispatch.*

jurious effects. It is quite reasonable to suppose that all of the speculatively held securities have been parted with long ago by European holders, and that those which they now own are parted with not only unwillingly but with absolute regret, as it must be conceded that investments in the United States are safer than in any country in Europe at the present time.

* * *

Bucketshops on Their Last Legs.

ONE of the three largest bucketshop systems in the country, having 1,500 miles of leased wire, has just been forced out of business through inability to get quotations. The new contract between the New York Stock Exchange and the Western Union, by which the former has entire supervision over the sale of its quotations, makes the existence of bucketshops very precarious. The U. S. investigator tells the story as follows:

When the Stock Exchange reopened for business after it had been closed owing to the war Bultman was found to be getting quotations. Investigation by the Exchange, together with the Chicago Board of Trade, revealed that he had a wire running down to Louisville into an office directly below the offices of a Chicago Board of Trade member and correspondent for a New York Stock Exchange house.

By getting into the good graces of a telegraph operator in these offices an arrangement was made to get the quotations. A pipe was run down from the legitimate brokerage offices to the next floor. The telegraph operator tore off strips of tape from six to eight inches long, dropped them down the pipe and an operator at the other end of the pipe in the bucketshop offices relayed them on a fast wire to the chain of bucketshops.

When this wire was cut an effort was made to get the quotations from Pittsburgh, but the service was so unsatisfactory that the bucketshop prince gave up the ghost in two weeks.

A governor of the Stock Exchange explains why the person who trades in a bucketshop has so little chance to win:

The person who believes he or she is speculating or investing in stocks and deals with a bucketshop stands no chance to make money.

First the bucketshop has what is called a "filler," a man who watches the ticker and orders for securities. If he thinks the customer will win he rejects the order. If he believes the customer will lose he accepts the business.

Second, the bucketshop keeper charges the customer a commission for purchasing stock which he never purchases.

If the customer by luck happens to win a large amount of money he loses, because the bucketshop, not in the business to lose, closes overnight and goes to other parts.

WHERE BUSINESS IS BRISK.
—Pittsburg Dispatch.

* * *

Regulation Now a Permanent Feature.

THEODORE N. VAIL, President of the American Telephone & Telegraph Co., has some interesting things to say about Government regulation and control in his annual report:

Regulation and control by commissions or business courts have become a permanent feature of our economic laws. Like all new departures from established practice, it could not be perfect from the start.

Control and regulation can become destructive instead of constructive; they can by delay paralyze commerce; they can through decrees of inexperienced officials impose unnecessary burdens and unnecessary expenditure upon corporations; they can require too many regulations and theories of operation and too many undeveloped experiments in plant and equipment; they can very easily run into operation. Demands of labor for increased wages and shorter hours, and demands of the public for increased service, must be met by increased revenue produced by increased rates. The application of scientific and improved methods to operation produced great results in reduction of expenses because it had an unworked field to start with, but it cannot be expected that the same ratio of progress will be indefinitely maintained. The irreducible minimum in unit expense has been reached in some industries and soon will be in all.

Business Conditions Show Little Change

Sharp Rise in English Commodity Prices—Commercial Failures Still Large

AFTER beginning the year with a period of noticeable improvement, business appears now to be resting at the current level and awaiting the opening of spring.

Money remains practically unchanged at low rates. If it were not for the new banking system now gradually being put into operation, we could safely predict that money rates would begin to rise with the growth of spring business and that the general tendency of money rates would be upward for some time to come. Even with the great increase of credit made possible by the Federal Reserve System, it is probable that the tendency of money rates will be slowly upward. This is especially likely in view of the gigantic borrowing that is going on abroad and must continue to go on so long as the war lasts.

The change in the level of English commodity prices since February is noteworthy. From the level of 2549 for the index number of the London *Economist* last July, English prices have risen with scarcely any halt to 3131 for March—or about 23 per cent. The rise in this country in the meantime has been just about half that much, or 12 per cent. The war demand is of course chiefly responsible for these gains.

The above relation of prices alone is enough to show that sales of American goods abroad must continue to increase. England is willing to bid higher prices for goods than we are—that is the story of the index numbers. As long as that condition continues our exports will be large, foreign exchange will be in our favor, and we shall continue to import gold.

Bank clearings always fall off in February; but even when we compare with previous Februaries we get little encouragement. Total clearings for the United States were the smallest February since 1909 and clearings outside New York were the smallest February since 1911. Nevertheless, business is not at such a complete standstill as some bearish chroniclers would have us believe; for total clearings for February were only 12 per cent. below the heaviest February ever recorded, and outside clearings only 7 per cent. below. It might be very much worse.

Business failures, as predicted in this column, were very much smaller for February than in January—only a little over half as much—but the only February in our history that exceeded them was 1913. These heavy failures are the natural sequel of the war panic of last year. More and more business men have to give up the effort to hold out until better times arrive.

It is notable that the number of failures increases over past years more than the total of liabilities, showing that a greater proportion of small business men are now included.

	Average Money Rate Prime Commercial Paper New York.	Average Money Rate European Banks.	Per cent. Cash to Deposits, New York Clearing-house Banks.*	Per cent. Loans to Deposits, New York Clearing-house Banks.*	Bradst's Index of Commodity Pcs.	English Index of Commodity Pcs.
Mar., 1915	3¼	5	18.6	97.5	9.62	3,131
Feb., 1915	3⅜	5	19.1	97.5	9.66	3,003
Jan., 1915	4	5	18.7	99.7	9.14	2,800
Mar., 1914	4¼	3½	26.3	96.6	8.83	2,616
" 1913	5⅝	5	25.7	100.6	9.40	2,717
" 1912	4⅜	4	26.1	97.6	8.90	2,667
" 1911	4	3⅜	27.4	97.1	8.69	2,536

*Affected by new Federal Reserve System.

	Total Bank Clearings of U. S. (Millions)	Bank Clearings of U. S. Excluding N. Y. City (Millions)	Balance of Gold Movements —Imports or Exports (Thousands)	Balance of Trade —Imports or Exports (Thousands)	Building Operations, Twenty Cities (Thousands)	Business Failures, Total Liabilities (Thousands)
Feb., 1915	$11,907	$5,425	....	Ex. $135,000*	....	$28,675
Jan., 1915	13,478	6,190	Im. $6,205	Ex. 145,536	$26,693	50,001
Feb., 1914	12,865	5,627	Ex. 5,869	Ex. 25,875	31,399	21,256
" 1913	13,614	5,819	Ex. 7,016	Ex. 44,083	33,488	28,971
" 1912	12,893	5,581	Ex. 7,652	Ex. 64,655	31,303	18,221
" 1911	12,269	4,974	Im. 5,381	Ex. 54,262	27,170	14,193

*Estimated.

	Wholesale Price of Pig Iron.	Production of Iron (Tons) (Thousands)	U. S. Steel Co. Unfill. Tonnage (Thousands)†	Price of Electro. Copper (Cents)	Winter Wheat. (Acreage)	Babson's. Bond Average
Mar., 1915	$12.40	.....	.....	14.6	41,263,000	89.0
Feb., 1915	12.40	1,675	4,345	14.5	....	89.0
Jan., 1915	12.40	1,601	4,248	13.7	....	89.2
Mar., 1914	14.00	1,888*	5,026*	14.1	36,008,000	93.2
" 1913	16.31	2,586*	7,656*	14.7	31,699,000	94.3
" 1912	13.50	2,100*	5,454*	14.7	26,571,000	98.2
" 1911	14.25	1,794*	3,400*	12.1	29,162,000	98.2

*February. †Last day of mo.

The Market Outlook

Factors Beneath the Surface of Current Events

AS long as the Great War continues, it must be inevitable that foreign conditions will exercise so strong an influence over American investment markets that they not only cannot be ignored, but must always be considered side by side with the outlook at home.

This is a new situation. Heretofore foreign conditions have had their due influence, but the domestic position has always been the more important. A bullish home situation could always be counted on to overbalance bearish conditions abroad. Now the two will probably be about equal in weight and might therefore result, if pulling in opposite directions, in a nearly stationary market, swinging over a narrow price range.

* * *

THE immediate way in which bearish foreign conditions affect our market is by sales of our securities from abroad. There can be no doubt that such sales have shown a gradual, though slow, increase since January. This is shown by our foreign exchange rate with England. It was about a month ago that exchange dropped to 4.79 and most of the time since then it has held above 4.80. Nothing has been done to support the rate. No important foreign credits have been established here during that period and we have imported scarcely any gold from London and only moderate amounts from other countries.

In the meantime our exports of merchandise have continued heavy and imports have been light—from Great Britain especially. There must have been an increase in our favorable balance of trade. But foreign exchange, instead of dropping again to 4.79 or lower, has remained stationary around 4.80. The conclusion seems clear that the balance has been restored by sales of stocks and bonds to us.

This is borne out by the statements of local banks and trust companies to the effect that arrivals of securities are showing a gradual increase.

THE two sides to this argument have been frequently rehearsed. On the one hand, American securities are about the only class for which there is now a large market. On the other hand, they are the best securities to own under the present demoralized state of affairs abroad.

Evidently foreign owners of our stocks and bonds will not sell them merely out of fright. That fact has been abundantly demonstrated by the experience of the last eight months. But they will sell, at least in moderate amounts, out of necessity; and it is entirely probable that our market will have to reckon with this condition for some time to come.

The real question is, then, whether foreign sales or home absorption will be the greater. For there can be no doubt that American investors will continue to pick up stocks from time to time at the current low levels.

* * *

OUR belief is that the American investor will win out in this contest. No one can prophesy how long it will last, because no one knows how long the war will last. A severe disaster to the Allies might result in heavy sales here that would temporarily force down our prices. Even in that case the decline would not be likely to be severe, because our prices are already at a low level. And without such a disaster, we see no reason why the buying from various sources should not at least equal the selling from Great Britain—for it is from that country that most of the securities are coming.

On the other hand, any definite indication of peace will be practically certain to check the selling and encourage the buying—and such an indication might come at any moment.

We must not forget that for the investor the important question after all is, Are prices low? At a low level of prices the chances favor the buyer. New financing is now very small and the accumulation of capital never stops.

It is going on now in this country at a rate by no means appreciated by those who have never studied the subject. In view of the relatively small offerings of new securities, this new capital has to flow into existing stocks and bonds. At a low level of prices this is a continuous process, unnoticed but powerful.

* * *

ENGLAND'S just announced policy of stopping, so far as possible, all trade with Germany will of course have an influence on our growing exports, but relatively unimportant. During the last five months of 1914 we exported to Germany direct only about $21,000,000 worth of merchandise, and the movement during 1915 to date has been at an even smaller rate.

It is true that our goods have reached Germany in some instances by transshipment through neutral European countries, so that the figures above given do not include our full trade with Germany; but the aggregate in any case cannot have been great enough to have any important influence on our trade balance.

In the meantime, the German submarine campaign against British commerce, while seriously injurious, has not developed sufficient importance so far to administer any important check to our exports.

In short, there is nothing to indicate any permanent let-up in our very profitable foreign trade; and this is one of the strongest features of our business and investment situation.

* * *

IF this favorable trade position should bring large gold imports its immediate effect on the market would probably be much greater. It is to be feared, however, that this will not be the case at present.

Lloyd-George has announced an agreement between the banks of England, France and Russia by which, if the demands upon the Bank of England for gold become inconveniently great, the vacuum is to be filled up to some extent by gold sent from France and Russia. It is doubtful how much Russia could send; but in any event the pooling of the gold resources of the three principal Allies tends to strengthen their position in the world's money markets. It indicates, also, the importance which England places on the maintenance of her gold store; and it is very much to be doubted whether she will permit the United States to draw upon it in any large amounts.

* * *

THE best our bond market seems able to do is to hold its own—and this, when you stop to consider the tremendous upheaval abroad, is doubtless all that could be expected. It is possible enough, certainly, that bond prices may be forced lower still by heavy foreign sales. But our home position strongly favors higher bond prices for sound issues. Big bank reserves, low money rates and dull business have always, throughout our history, resulted in a rising bond market—not necessarily at once, but before any pronounced further decline.

These same factors are now exerting the same force as heretofore; but they are now counterbalanced by bearish foreign conditions. It is not a time to speculate in bonds, but the investor with idle money has no reason to be afraid of them. Bond prices are low. Doubtless it is unnecessary to emphasize the importance of careful selection.

* * *

THE stock market would naturally be expected to benefit more than bonds from the gradual expansion of business. The cycle is well known: A sudden check to business; depression and inactivity; low money rates and accumulation of capital; increasing exports; rising commodity prices; gradual business expansion.

We see no reason to doubt that the sequence of events will be substantially the same now, though it may be hampered and delayed by the war.

Expanding trade will mean better earnings for stocks and the market will discount this probability by advancing before the better earnings become generally known. For the present, every rise in the market will meet moderate foreign sales, but we do not believe that will entirely prevent a rise; and when a prospect of peace appears, the advance should become vigorous.

Bonds and Stocks

Opportunities in Listed Bonds

BY F. M. VAN WICKLEN

THESE articles have called attention mainly to listed bonds that net the purchaser 5 per cent. and upwards, since the large majority of investors demand high rates. There are occasions, however, when it seems advantageous to disregard this feature and to accept a lower interest return with a view of being compensated for the sacrifice in yield through an advance in price of the security purchased.

Many bonds of our standard railways ranking in the high grade, savings bank investment class have lately declined in price through foreign selling. While selling of this nature does not affect in any way the underlying basic values of the securities in question, it has been sufficient to depress them out of line with the rest of the market.

Investors who will pick up these securities should realize fair profits, as it is this high grade of bonds that is always the first to reflect better conditions and to advance in any general upward movement. In the meantime the holder is assured a first class security which in these uncertain times is not to be despised.

Some of the bonds referred to are the Northern Pacific Prior Lien 4's and General Lien 3's, the Atchison, Topeka & Santa Fe General 4's, the Baltimore & Ohio First 4's, the Central Pacific Refunding 4's, the Oregon Railway & Navigation 4's, the Oregon & California 4's, the Southern Pacific Refunding 4's, the San Francisco Terminal 4's, etc.

The last mentioned issue which was described in a previous article of this series and which may be purchased without sacrificing anything in yield, has been particularly affected by foreign selling. These bonds sold as low as 77¾, but have recovered to 80½, their present price. Irrespective of their ample security, being a first mortgage on valuable property, their equity represented by the earnings of the Southern Pacific Co. is impressive. For example, this company during the comparatively poor year of 1913-1914 earned a surplus over all its fixed charges of approximately $20,000,000. It seems inconceivable that circumstances should arise that would wipe out an equity of this magnitude and jeopardize any of the Southern Pacific bonds.

These prime securities may reach lower levels and no one can predict with certainty when they have reached their bottom. In any event, they are, in the opinion of good judges of security values, cheap now and will sooner or later show large profits.

New York Central Railroad Co. Convertible Debenture 6% Bonds, due 1935.

Yield at present price, 5.85%.

These bonds are a direct obligation of the New York Central Railroad Co., which is a consolidation of the New York Central & Hudson River Railroad Co. and the Lake Shore & Michigan Southern Railway Co. and certain of their subsidiaries. As now constituted, the railroad of the consolidated company comprises 6,050 miles of main line and 14,670 miles of track.

These bonds are convertible into stock of the New York Central at 105 at any time between May 1, 1917, and May 1, 1925. This means that a holder of these bonds bought at present prices, around 101½, will have a call on the stock during this eight-year period at 106⅝. In the meantime he will have a reasonably safe 6 per cent. investment.

The New York Central System occupies one of the greatest traffic producing sections of the country, and is assured at all times of large and steady business. The company is also emerging from a period of large expenditures on comparatively unproductive developments, such as the Grand Central Terminal in New York City, which should soon begin to show a return on the in-

vestment. The consolidation with the Lake Shore and other properties should also be beneficial.

These convertibles, of course, rank prior to dividends on the New York Central stock, and all things considered, appear to be very attractive. They possess, as do all convertibles, the desirable features of bonds, that is, their interest is a fixed obligation, and a decline in them below a certain level is therefore very improbable. Coupled with this investment feature is the possibility of profit through an advance in the price of the stock into which these bonds are convertible. The potential value of this conversion privilege can readily be seen since shares of stock reflect any improvement in the condition of a company to a much greater extent than fixed interest bearing obligations.

Bush Terminal Buildings Co. First Mortgage 5% Bonds, due 1960.

Yield at present price, 5.85%.

These bonds cover as a first mortgage valuable improved real estate in Brooklyn and Manhattan, New York City. On the Brooklyn property, situated on the water front of New York Harbor, are erected model loft and factory buildings, of concrete and fire-proof construction. Between each group of two buildings are the tracks of the Bush Terminal Railroad, providing unexcelled shipping facilities, as this railroad connects by float with all the railroad and steamship lines entering Greater New York.

These bonds are guaranteed principal and interest by the Bush Terminal Co., which owns very extensive water front property on New York Harbor, comprising large piers, warehouses, freight yards, marine equipment, railroad tracks, etc.

The Bush Terminal Buildings Co. reported net earnings for 1914 of $620,000 or approximately double the interest on its bonds. The surplus of the Bush Terminal Co. for 1914 over and above its fixed charges, amounted to about $550,000, so that there was a surplus available to pay the $312,000 interest charges on these Bush Terminal Buildings Co. 5 per cent. bonds, of $1,170,000. Earnings of both companies are showing increases even during these comparatively dull times.

A sinking fund is now in operation, which it is estimated will retire at least 70 per cent. of the amount of Bush Terminal Buildings Co. 5 per cent. bonds outstanding, by maturity. They sold in 1912 at 97¾. Their present price is around 86.

Southern Pacific System. Oregon & California Railroad Co. First Mortgage 5% Bonds, due 1927.

Yield at present price, about 5%.

This is a well seasoned issue, dating back to 1887. Until recently, comparatively few bonds have appeared in the market due to the fact that they are well distributed and held strictly for investment purposes. Foreign liquidation has, however, brought some of them to the market where they are selling in the neighborhood of 100.

Ordinarily these bonds would sell even at a time like the present well above 100, except for the fact that they are callable at 100 through funds received from the proceeds of land sales. However, out of a total issue of $20,000,000 bonds only $2,255,000 have been so far retired, and none since 1907.

These bonds are guaranteed, principal and interest, by the Southern Pacific Company, to which the company is leased, and which owns practically all its $19,000,000 capital stock. They are secured by a closed first mortgage on mileage forming part of the main line of the Southern Pacific from San Franciso to Portland.

Virginia & Southwestern Railway Company. First Consolidated Mortgage 5% Bonds, due 1958.

Yield at present price, about 5.85%.

This company was purchased in 1906 by the Southern Railway Company, which paid in cash $200 per share for its entire $2,000,000 capital stock. Through this control the Southern Railway obtains access to extensive and valuable coal fields in Virginia.

While primarily this road carries the products of mines and forests, conditions are very favorable for the development of other traffic, such as the products of farms, live stock, etc., and the

company has established a special department to encourage and stimulate these industries which later should diversify the tonnage to a large extent.

These bonds are a direct mortgage, subject to a closed issue of $2,000,000 prior liens, on all the property of the company comprising 189 miles of road, terminal property, etc. The mortgage is closed at $5,000,000.

For the year 1913-1914 the company reported a balance available for interest on these bonds amounting to $519,398, against $250,000 interest or over twice the amount required. Current earnings are up with last year's, the December gross and net showing slight increases.

These bonds may be obtained around 87. They sold in 1909 at 100.

Baltimore & Ohio Railroad Co. Convertible 4½% Bonds, due 1933.

Yield at present price, about 5.85%.

These bonds are convertible at the option of the holder into Baltimore & Ohio common stock at $110 per share, at any time up to February 28, 1923. The conversion cost of the stock at the present price of these bonds is about 93½, compared with a present selling price of the stock of 67.

From a conversion standpoint, therefore, these bonds at this time do not look inviting.

The level at which they are selling, however, is probably their so-called investment level, and a purchaser has a reasonable assurance that they are touching bottom. If this were not so these bonds would doubtless be quoted much lower with Baltimore & Ohio stock selling at 67.

The purchaser of these bonds today obtains a straight yield of 5.85 per cent., with ample security in the form of a very substantial margin of earnings. The Baltimore & Ohio has reported surplus earnings over all fixed charges averaging $13,000,000 per annum for the past five years, the amount for 1913-1914 being $9,200,000.

The Baltimore & Ohio is one of the best managed railroads in this country. Its physical property is maintained in splendid shape, large sums being charged off each year in maintenance expenditures for depreciation. The company's reports are very detailed and clear in all respects, no attempt apparently being made to conceal information of an unfavorable nature, thus reflecting honest management.

One of the objections made to Baltimore & Ohio securities is that the road is a one commodity carrier, depending for its busineses primarily on soft coal. This objection seemed to be pertinent ten years ago, but now the consumption of soft coal has grown so large and so many industries are dependent on it that this traffic feature has turned into a bullish factor.

Missouri, Kansas & Texas Railway Co. First Mortgage 4% Bonds, Due 1990.

Yield at present price, about 5.15%.

These bonds are secured by an underlying closed first mortgage on 1,114 miles of road including the most essential portion of the system and rank prior to any other mortgage bonds of the Missouri, Kansas & Texas. They have a very large equity in the property, being followed by a considerable amount of bonds and stock.

These bonds have sold frequently in the past above par and even in the present abnormal period would doubtless sell much higher than their current price around 78, were it not for the large amount of refinancing which the Missouri, Kansas & Texas is facing in the immediate future. Not only must the $19,000,000 notes maturing May 1, 1915, be provided for, but the company is in a poor position to raise additional funds in order to carry on its work of improvement, which is highly necessary, especially on its lines in Texas.

Although there are rumors at present that the company has completed arrangements to refinance its maturing notes, nevertheless, its immediate future does not look very promising, and it would not be surprising if a reorganization became imperative. The First Mortgage 4's of the company seem to be a sound investment, and it is very improbable that they would be disturbed through a reorganization or a receivership. They should be cheap below 80.

Shall We Buy Rails or Industrials?

The Comparative Movements of the Two Classes of Stocks.

THE fact that industrial stocks have recently been stronger than railway stocks has been frequently commented on, but not always from a broad enough point of view to furnish the right perspective. The graphic below shows the movement of rail and industrial averages from 1897 to date, thus giving a comparison for eighteen years.

The first point to be noted is that, since the rails are higher priced than the industrials, their fluctuations will be wider, and the difference between the two will be greater at a high range of prices than at low prices. This accounts in part for the fact that rails have declined more than industrials from the high prices of 1906 and 1909.

Again, in 1900, 1901 and 1902 the rails simply ran away from the industrials, so that the spread between the two was greatly increased. Then the industrials gained rapidly on the rails up to the end of 1906. From 1907 to 1911 the two averages kept along together; but from 1912 to date the rails have been noticeably weaker than the industrials. The principal reason has been that the industrials could raise the prices of their products to correspond with higher costs, but the railways could not, owing to government control of rates. Another reason is referred to above that the difference will naturally be less at low prices, and during this period the general movement of prices has been downward.

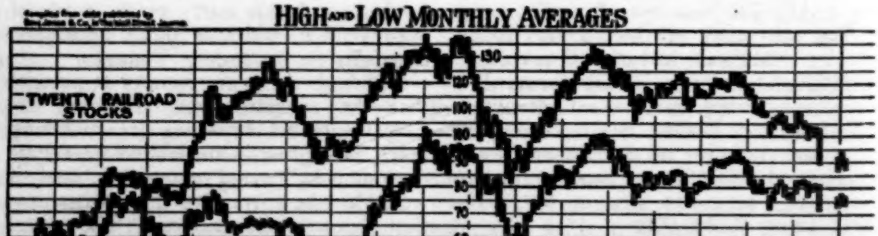
If in 1902 we had reasoned that since the rails were gaining on the industrials we should confine our purchases to rails, we should have been wrong for the next five years.

If we compare with 1899, the rails are now relatively higher than the industrials; if we compare with 1902, they are lower; if we compare with the middle of 1907, they are about the same.

Also, if the rails have now declined more rapidly than the industrials for three years, are they not for that very reason likely to be the better bargain, having reached a lower plane of prices?

The moral is that the different stocks have to be considered on their merits, and general conclusions as to the relative strength of rails and industrials have only very limited value.

It would be convenient if the investor could lay down a set of general rules for himself in regard to different classes of stocks that would obviate the necessity of a close study of the values of individual securities, and many, of course, will never give up the effort to do this; but the simple fact is, that investment is an exceedingly practical science and the benefit to be derived from such general conclusions is comparatively small.



The American Woolen Company's Remarkable Statement

IT is difficult for us to understand how President William M. Wood of the American Woolen Company reconciles the figures in his company's annual statement with his admission in the annual report that there has been a heavy increase in importations of woolen cloth and dress fabrics, combined with the general depression in the business.

In 1913 the company showed a net loss of $677,684. In 1914 the net profit amounted to $2,788,602, which means that 1914 was $3,400,000 net better than the previous year. It is a remarkable fact that these net profits were within $12,000 of the amount necessary to pay the $2,800,000 in 7 per cent. dividends on the preferred stock, and that in order to make this showing nothing was charged off for depreciation.

The company's surplus has shrunk from $12,000,000 in 1912 to its present level of $8,000,000, and while we will admit that surpluses are very handy in tiding over a bad year, the company seems to have strained a point to pay this 7 per cent.

Raw materials and supplies appear to have increased nearly $8,000,000 on the assets side of the balance sheet, this being accomplished by borrowings of about $4,750,000 and further liabilities under the head of "Vouchers and Accounts" $4,300,000.

Mr. Wood admits that "after a determined effort to sell our fabrics in the open markets of the world, we have been forced to the conclusion that as a general proposition we are unable to compete with the low rate labor of Europe. Our efforts must therefore be directed to securing to ourselves the market of the United States, the best and greatest market in existence."

Mr. Wood claims that the outlook for 1915 is more satisfactory, and that better results will be achieved, but many a stockholder would be induced to place more confidence in the company's management if elaborate details were shown as to how these net profits are secured in the face of such depressed business conditions. While a few of the preferred stockholders might be gratified at an uninterrupted distribution in the face of shrinking surpluses, the rank and file would not care to see this practice continued indefinitely, for, while the company has a very large working capital, the strongest structure can be weakened by a series of drafts on its vitality, combined with infinitesimal or a total absence of depreciation charges.

Investment Inquiries

NOTE.—Answers as published in this magazine are selected and condensed from the very large number of inquiries received from our readers. All such letters are answered by mail in advance of publication, hence stamped and self-addressed envelopes should accompany them.

$100 Bonds for Diversification.

I have some L. & N. common and Great Northern preferred and am planning for diversification, to buy in addition some National Biscuit common and two $100 bonds, probably one high-class rail and one industrial or public utility.

My idea is to buy only the highest class of stocks and hold them for a long pull, buying the bonds to raise the tone of the whole investment.

I would very much appreciate your opinion of this plan. Will you kindly mention hundred-dollar bonds which you think would be suitable to my purpose—R. W.

Your plan is entirely feasible and is altogether conservative. It will, as you say, "raise the tone" of your investments and should make you feel better satisfied with your holdings. The inclusion of the $100 bonds is a good idea to take up the odd amounts of money. Virginian Railway 5's

of 1962 and Southern Pacific Co. (San Francisco Terminal) 4's of 1950 would suit your purpose admirably.

Rock Island Bonds.

J. B.—Chicago, Rock Island & Pacific Ry. Ref. 4's of 1934 and General 4's of 1988. We would not advise you to sell these bonds at a large loss. They have suffered by the agonies through which the whole Rock Island system has been going during the past two years, but as they are obligations of the underlying company, that is, the C. R. I. & P. Ry. Co., which is well able to take care of its interest charges, we see no reason why they should not recuperate some time not so very far off.

We believe these securities will be strengthened by the reorganization. The worst has doubtless been seen in this whole tangle. Whatever is done is likely to be for the better.

Car & Foundry—Westinghouse.

J. S.—American Car & Foundry common (42) and Westinghouse Electric (68) are good purchases for a pull. Car & Foundry was as high as 53½ and Westinghouse 79 during 1914, and we expect to see them reach the same figures again in time. You might get some early profits from a purchase at present, but don't expect too much.

National Lead.

J. B.—This is a medium grade stock on which the dividends are none too certain. It has advanced somewhat faster than the remainder of the market for the reason that the company has been getting some fine business as result of the war, which has had its effect in sentiment on the stock in the market.

Loose-Wiles Biscuit.

J. D.—The company in its present form was created in 1912, so that the only substantial earnings statements worth considering are those of the past two years. Those show a decline in earnings available for dividends from $776,813 in 1913 to $635,654 in 1914. As a result of this it has been decided to omit the dividend on the second preferred. It is cumulative, however. Dividends on the first preferred will be kept up. The company earns its first preferred dividend, but has none too much to spare. On the second preferred and common stock the available money is generally very thin. There is really too much stock out, consequently they have a hard time earning substantial dividends.

N. Y. C. Debentures.

I recently bought some of the rights for N. Y. Central Debenture 6's. What do you think of them?—J. R.

As an investment these debentures are all right. The Central can well pay its interest charges. But even under the new consolidation with the Lake Shore there is no certainty that it is going to earn a great margin over its 5% dividend requirements. It is figured that the earnings for this year will not be much over 6% on the stock. If the market generally becomes strong and the whole list rises, New York Central will go along with the others. We would only count on making some money out of the conversion privilege on this basis.

Industrial Preferred Stocks.

Please name some industrial preferred stocks that have good prospects for higher prices.—E. D.

There are some very likely prospects among the industrial preferred stocks. The possibility of appreciation varies greatly, both in the time it will take and the number of points to be expected, but there is promise in all of the following: American Locomotive preferred, Maxwell Motors first preferred, Republic Iron & Steel preferred, Bethlehem Steel preferred. However, if you buy, spread your purchases as much as possible. You cannot put too much emphasis on the principle of diversification in buying on this method.

Three Sound Stocks.

I. S.—Any one of the three stocks you mention (Southern Pacific, St. Paul, Brooklyn Rapid Transit) is likely to prove a good purchase for the long pull.

They are sound dividend payers, and all have good prospects.

Low Priced Stocks.

Please suggest a number of low priced stocks good for the long pull.—C. F.

New York Air Brake, U. S. Rubber, Seaboard Air Line preferred, Erie common, Chino, Guggenheim Exploration. Buying of these hopeful stocks at present low prices means large profits on the long pull, but to do it most scientifically you must make a good distribution.

American Locomotive—Republic Steel.

C. W.—Locomotive common is not a very likely prospect just now. The company is apparently not earning its preferred dividend and the business has great ups and downs, the latter being the situation at present. Dividends on the common are not in sight. Appreciation in price is dependent entirely upon the general movement of the market. Once the company begins to earn its preferred dividend again doubtless there will be sympathetic strength in the common.

Republic Iron & Steel common has possibilities as a speculation for the long pull. The preferred has about 8¾% back dividends accumulated against it, and the company is not now thinking much about dividends in its efforts to conserve its cash for business. If you buy this you must expect to wait a considerable time for profits.

General improvement in the steel business will be the deciding factor. See article in issue of February 6.

U. S. Express.

L. B.—Liquidation of this company will take many months, because the assets consist largely of securities, and it takes months skilfully and properly to dispose of millions of stocks and bonds to the best market advantage. Estimates of the liquidation value of the stock have varied, but one of the best puts it at about 95. Market changes in the securities that are being liquidated will affect this figure considerably.

Bethlehem Steel.

I hold Bethlehem Steel common, bought at 57. What is the prospect?—A. C.

The facts are these: Mr. Schwab, the controlling genius, is apparently set against paying dividends on the common for a long time. It is stated he believes in strengthening the company greatly before thinking of common dividends. The consensus of opinion is to the effect that it will be possibly two or three years before any distribution may be expected, if Mr. Schwab has his way. Under these circumstances you will have a long pull if you hold onto the stock. In the meantime, the stock is likely to have many ups and downs. Certainly 57 is high for a non-dividend paying stock on which the prospects are so indefinite. So far as earnings are concerned the stock could well be given something, and a number of stockholders started agitating for this, but control at present is with Mr. Schwab and he will doubtless have the say as to what shall be done.

Southern Railway Preferred.

J. D.—This stock is selling at a low figure because the dividend has been passed. The management is endeavoring to conserve resources, earnings having fallen off recently due to general business prostration in the South because of war conditions. A lot of this stock was held by people abroad, and interests in the South who held substantial blocks were hurt by the fall in cotton.

We would not advocate selling what you hold already, since it is likely it shows a large loss. The larger the loss, the less we would say sell.

The Investment Digest

THE items below are condensed from leading financial and investment publications and from official sources. Neither THE MAGAZINE OF WALL STREET nor the authorities quoted guarantee the information, but it is considered trustworthy. We endeavor to present in a few words the essential facts in regard to each company. Additional items will be found in the Public Utility and Mining, Oil and Curb Security departments.

Atchison.—TRAFFIC GAINS continue in fair volume. 7 mos. including Jan., 1915, showed an increase in net income totaling $2,959,486, which is equal to about 1.5% on the $195,000,000 common stock. It is expected in some quarters that Atchison may for the fiscal yr. ending June 30 next have the largest actual surplus for common divs. in its history. Feb. loadings also show a 10% increase. Passenger earnings which had slightly fallen off are now forging ahead.

American Sugar Refining Co.—ANNUAL REPORT for yr. ended Dec. 31 shows profit from operations of $2,791,050, comparing with $1,015,853 in 1913 and $4,432,262 in 1912. Total income $6,139,389, comparing with $4,184,988 in 1913. Nothing was added to surplus of former years, which remains at $8,045,199. 4¾% was earned on common before depreciation, but after deducting $786,359 profits from sales securities, and $74,427 for adjustments. The Co. profited from a sharp rise in prices due to European war.

American Can.—REGULAR DIV., quarterly, 1¾% on pfd., payable April 1 to stock of record March 17.

American Ice Co.—STRONG DEMAND for ice expected next summer owing to failure of Hudson River crop. The shortage in natural ice is considered very serious, and the American Ice Co., which makes about 80% of its product artificially, is in position to benefit.

American Car & Foundry.—NOTHING EARNED on common for yr. ending with coming April, according to recent estimate. Regular quar. div. 1¾% on pfd. and ½ of 1% on common, declared payable April 1 to stock of record March 11. This dividend on common is the last to come out of money reserved a yr. ago.

Atlantic, Gulf & West Indies.—REPORT for yr. ended Dec. 31, 1914, shows net income decrease of $620,219. Dec. showing was remarkable inasmuch as in the face of a decline of $82,000, or 5%, in gro. income,

the Co. cut operating expenses by $259,000, or 17%, making a gain in net for that month of $176,000.

American Woolen.—REPORT for 1914 shows that in spite of the yr.'s difficulties it earned within $11,398 of its full 7% div. on $40,000,000 pfd. stock. Operations at one time ran as low as 40% of capacity and over the full yr. were under 60%. With orders on books and in sight, 75% of capacity should be employed in near future. Domestic demand for Co.'s products is small, but the rush of foreign business has delayed opening new season for six weeks. Reg. quar. div. of 1¾% is payable April 15 to stock of record March 19. Working capital is placed at $21,843,635.

American Brake Shoe & Foundry.—REG. Div., quar., 2% on pfd. and 1¾% on common, payable March 31 to stock of record March 19.

American Tobacco Co.—REPORT for yr. ended Dec. 31, 1914, shows total sales of $69,339,083, comparing with $69,516,932 in 1913. Net $9,045,046, comparing with $8,755,709 in 1913. Balance after int. $11,633,614, comparing with $14,489,535, or a decrease of $2,855,921 from prev. yr. Balance after divs. $419,462, comparing with $3,269,596 in 1913. Total surplus $37,723,749, comparing with $43,340,646 in 1913, when $6,036,360 was paid as an extra cash div. on common. Net income for 1914 equaled about 8⅞% on capital stock.

Boston & Maine.—JAN. DEFICIT after charges was $334,959, against $683,855 prev. yr. 7 mos. to Jan. 31 show an operating income of $5,141,581, comparing with $4,879,485 in prev. corresponding period. Final deficit for same 7 mos. ending Jan. 31, 1915, was $220,461, comparing with deficit of $601,077 for same period of prev. yr.

Baltimore & Ohio. — EARNINGS STATEMENT shows increase in control over operating expenses, effective enough to counterbalance loss in gro. revenue. This gro. should from now on also improve.

Baldwin Locomotive.—REPORT for yr. ended Dec. 31, 1914, shows gro. sales $13,616,163, comparing with $37,630,969 in 1913 and an average of about $29,000,000 for 3 yrs. prev. to 1913. Manufacturing profit for 1914 was $320,609, comparing with an average of about $3,500,000 for four yrs. previous. Surplus for divs. was $350,230, or 1.75% on pfd. In 1913 this surplus was $4,017,800, or 20.09% on pfd., leaving 13.09% on common. Pres. Johnson declares falling off of business was due to unfavorable attitude on Interstate Commerce Commission to railways, and later to paralysis of finances and business following breaking out of war in Europe. He says further: "The business outlook at beginning of 1915 is somewhat more favorable, but there is nothing to indicate more than moderate activity during 1st half of the yr." Operations at present are at abt. 20% of capacity. It is considered probable that the next common div. will be passed.

Bangor & Aroostook.—A SURPLUS after fixed charges is understood to have been earned in 8 mos. to March 1. This is due to resumption on large scale of potato shipments by Aroostook County farmers. Net income for 7 mos. ending Jan. 31, 1915, was turned into a deficit of $17,722, as compared with net income of $47,949 in 1914. Co. has applied to Maine legislature for reduction in taxes.

Chi., Mil. & St. Paul.—COMMON not in good position as regards divs. for this yr. In 7 mos., including Jan., the 5% on common was not earned by $1,100,000. Ordinarily the 1st half of the fiscal yr. is the best.

Canadian Pacific.—GAIN IN NET earnings in Jan. was first shown for more than a yr. The decline in gro. was the smallest since last Sept. The Jan. loss in gro. was $1,800,000, comparing with a decline of $4,370,000 in Dec. and $5,349,000 in Nov. The war is considered responsible for these declines.

Corn Products Refining.—REPORT for yr. ended Dec. 31, 1914, shows profit from operations $3,652,828, comparing with $3,579,668 in 1913. Surplus $2,305,174, comparing with $2,284,855 for yr. prev. This 1914 surplus is equal to 7.72% on $29,826,867 pfd. stock. Total assets are placed at $98,765,642, which figure has been about constant for the last 3 yrs.

Colorado & Southern. — IMPROVEMENT.—Gro. earnings are beginning to show increases but are still under the figures of 2 yrs. ago. Conditions in Colo. are improving and a continuation of the road's better showing is expected. For 7 mos. ended Jan. 31, net operating revenue was $2,495,042, or $560,087 higher than for same prev. period. The last semi-annual payment of 2% each on 1st and 2nd pfd. stock was made Oct. 1, 1913. Divs. on common were stopped a yr. before that.

Distillers Securities.—LIQUIDATION at record low prices for this issue is ascribed to fear of extent and effect of prohibition wave. There are ten dry states now and this number will be increased by 4 on Jan. 1, 1916. Yr. ended June 30 last, Co. earned 2.3% on stock. For 6 mos. ended with last Jan. business was about equal to that of same period of prev. yr. War has had no effect on business directly, as product has not been exported for many yrs. Production of whiskey in Kentucky is running at a minimum on acct. of high grain prices, but this condition does not affect current earnings, as sales are made from warehouse stocks produced 4 yrs. or more ago. Curtailment now is regarded favorably because there has been heavy overproduction in recent yrs.

Erie Railroad.—REPORT for quar. ended Dec. 31, 1914, shows gro. income $13,397,652, comparing with $14,482,782 in same period of 1913. Deficit after charges was $380,557, or $75,653 larger than the deficit for same 1913 period. Jan. earnings showed sufficient improvement to put completed 7 mos. of the fiscal yr. ahead of the 1914 figures. J. P. Morgan & Co. are understood to be arranging a syndicate to offer $10,000,000 Erie R. R. 1 yr. 5% notes which will be sold to pay off $7,500,000 notes due April 1 and to reimburse Co. in part for capital expenditures of $5,000,000 made on the property.

General Electric Co.—ENGLISH SUBSIDIARY, The British Thomson-Houston Co., is benefited by war situation, as export of German electrical goods has been cut off.

General Motors.—SALES for fiscal yr. ended July 31 next are, it is estimated, likely to exceed $90,000,000. This will be a record figure for the Co. and represent an output of 60,000 cars.

General Chemical Co.—EARNINGS are estimated as about equal to those of 1914, when between 18% and 19% was earned.

International Harvester Co. of N. J.—EARNINGS for yr. ended Dec. 31 last were sufficient to meet divs. on both classes of stock and leave balance of approximately $2,000,000 to be carried to surplus acct., as compared with $3,815,526 surplus shown in 1913. Reg. annual report not yet ready. Indicated earnings of abt. 10% on common are considered satisfactory in view of trade conditions.

International Paper.—COMPLAINT by Co. of unreasonable rates on pulp wood from points in Dominion of Canada to points in N. Y. dismissed by Interstate Com. Com.

Kansas City Southern.—DIV. Reg. quar. 1% div. declared payable April 15 to stock of record March 31. Falling off of 10% in passenger earnings for 7 mos. to Jan. 31 is largely accountable for road's decrease in total revenues for that period, amounting to $279,437.

S. S. Kresge.—REPORT for yr. ended Dec. 31, 1914, shows that current liabilities increased $984,501; current assets $710,363. Working capital was reduced $274,138. Net quick assets for 1914 were $1,842,084, comparing with $2,116,222 for 1913. No increase in common div. from 6% is likely. The Co. opened 16 stores in 1914 and now has 118 in operation; also has new office building in Detroit.

Liggett & Myers Tobacco Co.—PRESIDENT'S statement.—Pres. Dula says: "Liggett & Myers had no bills payable on Dec. 31 and accounts payable were only $505,000. For 2 successive yrs. it has paid an extra on the common, and we have just announced another distribution of a like amount. Real estate, machinery and fixtures amount to $7,165,038, against which is a reserve for depreciation of $2,021,379. The real estate has appreciated in value, and physical condition of all property is better than ever before. Modern machinery has been installed. Reserve for advertising, coupon redemption, etc., is $3,434,861. This takes care of all forms of advertising, and is an increase over preceding yr. Total reserves amount to $5,436,240. Average earnings for the common during past 3 yrs. has been 24.48%."

Louisville & Nashville.—STATEMENT of operations for 6 mos. to Dec. 31, 1914, indicates a surplus over charges for that period of $2,715,888.

P. Lorillard Co.—REPORT for yr. ended Dec. 31, 1914, shows net income $4,519,061, comparing with $5,377,864 in 1913. Surplus after pfd. divs. was $2,447,904, or 16.15% on $15,155,600 common, against $3,283,160, or 21.66%, earned on same stock in 1913. Total assets are placed at $54,749,141, comparing with $55,392,082 in 1913. Profit and loss surplus for 1914 was $3,659,612, comparing with $3,502,519 for 1913.

Loose-Wiles Biscuit Co.—DIV. PASSED on 2nd pfd., but regular quar. 1¾% is declared payable on 1st pfd. April 1 to stock of record March 17. The 2nd pfd. stock is cumulative. A director is quoted as follows: "Earnings reports indicate that a full div. on the 2nd pfd. stock was earned; business conditions, however, do not warrant any payment at this time."

Maxwell Motors.—EARNINGS are running at a very satisfactory level; business double that of a yr. ago and five mos. of fiscal yr. ahead are ordinarily best of the 12. Net income for full season to end of July is according to estimate likely to reach $3,000,000 and compared with $1,505,467 in the 1914 fiscal yr.

Minneapolis, St. Paul & Sault Ste. Marie.—REPORT for Jan., 1915, shows operating revenues $1,195,471, a decrease of $94,222. Operating income for same month was $276,876, a decrease of $40,143. Operating income for period from July 1 to Jan. 31 was $4,084,078, an increase of $778,555.

Minneapolis & St. Louis.—EARNINGS for Jan., 1915, were, gro., $845,162, an increase of $35,021; net, $173,425 a decrease of $1,503. 7 mos. gro. was $6,162,054, an increase of $327,237; net $1,503,329, increase of $133,126.

Missouri, Kansas & Texas.—PROVISION FOR NOTES.—Officials declare there is no reason to doubt success of plan to provide for $90,000,000 in 5% notes due May 1 next. It is likely, however, that the financing will be with a security bearing 6% int. instead of 5%, which will add $200,000 to Co.'s annual int. obligation. For 7 mos. ended Jan. 31 Co.'s surplus after charges was $500,000 better than for same period of prev. yr. Current earnings are

favorable, Feb. showing an increase of $331,-058 in gro. and gro. earnings for fiscal yr. to Feb. 28 were $26,726 ahead of last yr.

Missouri Pacific.—DIRECTORATE according to present proposals will comprise 8 new members out of 13.

Northern Pacific.—STATEMENT for 7 mos. ended Jan. 31 shows abt. $450,000 surplus after rentals, int. charges and proportion of divs. for the period. This is considerably under comparable figures for last yr., but gradual improvement is expected.

New Haven.—JAN. NET is reported at $1,057,937, an increase of $606,704, or 134% over same mo. of 1914. 7 mos. gross to Jan. 31, 1915, was $37,817,094, a decrease of $2,679,894. 7 mos. net was $9,794,256, an increase of $403,994.

National Biscuit Co.—REPORT for yr. ended Jan. 31, 1915, shows profits $4,520,402, equalling 18.22% on pfd. and 9.52% on common. This compares with $5,168,018 in 1914, or 20.84% on pfd. and 11.74% on common. Current assets as of Jan. 31, 1915, were $13,-114,979, comparing with $12,506,733 for prev. fiscal yr. Working capital was $12,764,698, comparing with $12,041,569. During past 4 yrs. Co. has spent more than $4,000,000 on new plants and equipment, but increased its plant acct. only $1,700,000.

Pressed Steel Car Co.—DIV. ON pfd. likely to be passed, as Co. is earning little on this stock which is non-cumulative. Co.'s resources are in need of replenishment.

Pere Marquette R. R.—APPEALS for higher passenger fare. Receiver declares this is only way to avoid early foreclosure. $8,000,000 is needed to pay debts, and $7,-000,000 to buy equipment and give a working balance.

Pennsylvania R. R. Co.—EARNINGS on stock in 1914 were 6.82%, comparing with 8.4% in 1913. The annual report showed gro. $181,184,822 for 1914, a decrease of $10,-316,667, or 5.3%. Surplus for divs., 1914, was $34,090,763, a decrease of $7,830,067, or 18.7%. Bal. after divs. $4,138,577, a decrease of $9,388,006, or 69.4%. An increase of nearly $2,000,000 in the yr.'s charges was mainly due to the assumption of Northern Central's interest and div. payments as rentals. Northern Central, a coal road, and in ordinary times a big earner, apparently did not earn its rental last yr. At meeting of stockholders these adopted a resolution to vote at annual election of Co. March 23 on recommendation of board of directors that Co. increase its bonded indebtedness by $40,000,000, thereby giving Co. authority to issue new bonds, as the directors may deem fit, to an amount not to exceed $71,000,000; authority had previously been given to increase the bonded debt to $31,000,000.

Reading.—STATEMENT for Jan., 1915, shows gro. $564,736, comparing with $559,-051 for 1914. Surplus $95,505, comparing with $78,635. Surplus from July 1, 1914, to end of Jan., 1915, was $660,315, comparing with $664,440 in 1914.

M. Rumely Co.—REORGANIZATION PLAN is understood to contemplate giving bonds to holders of the $10,000,000 6% notes. The pfd. is to be scaled down and one class of new stock issued, wiping out the common shares according to same report. Both of present issues, however, will be asked to subscribe for the new stock. A statement of the Co.'s condition as of the date on which receiver was appointed is now being prepared and must be awaited before decisive steps are taken toward reorganization.

Railway Steel Spring.—REPORT for yr. ended Dec. 31, 1914, shows gro. earnings $4,351,465, comparing with $7,688,185 in 1913 and $9,041,079 in 1912. Net earnings $713,-285, comparing with $1,472,093 in 1913 and $2,081,153 in 1912. Surplus $374,454, equal to 2.77% on $13,500,000 pfd. stock after deducting depreciation, comparing with $1,-121,680, or 8.3%, earned on same stock prev. yr. Deficit after pfd. divs. $570,546, comparing with prev. yr.'s surplus of $176,660, and a surplus in 1912 of $778,978. Total surplus $3,954,657, comparing with $4,795,203 in 1913, in which yr. a common div. of $270,000 was paid out of 1912 earnings. Pres. F. F. Fitzpatrick says: "Our success is largely dependent on purchasing ability of railroads, which for more than a yr. has been confined to minimum. Indications now point to a return of confidence. Advantage has been taken of prevailing low prices for raw materials, and the inventory accts. show an increased tonnage of materials on hand."

Rock Island.—EXPENDITURES since 1902 total $206,454,487, according to figures submitted by D. G. Reid, testifying before Interstate Com. Com.'s inquiry.

Sears-Roebuck & Co.—SALES for Feb. were $9,601,899, a gain of $1,644,560.

Seaboard Air Line.—EARNINGS for 7 mos, including Jan., 1915, were, gro. $12,-082,361, comparing with $14,514,309 in 1914. Net, $2,753,024, comparing with $3,817,453 in 1914.

Southern Ry.—DIV. PASSED.—Semiannual div. on pfd. will not be paid in April, as it is not earned.

Studebaker Corp.—REPORT shows net sales of $43,444,223, or the largest in corporation's history, and comparing with $41,-464,949 in prev. yr. Surplus was $2,965,893, comparing with $871,399 for 1913 and $1,-382,420 in 1912. Assets are placed at $56,-530,336, comparing with $57,622,440 in 1913.

St. Louis & San Francisco.—REPORT for 7 mos. including Jan., 1915, shows operating revenue $24,591,712, comparing with $26,350,265 in 1914. Net after taxes $7,226,-911, comparing with $7,238,023.

Union Pacific.—REPORT for 7 mos., including Jan. last, shows gro. $54,921,499, comparing with $58,385,225 for same period of 1914. Jan. alone showed a decrease in gro. of $515,000, which was due to an 8%

falling off in freight earnings and 13% in passenger earnings. Net income for 7 mos. was $20,653,121, comparing with $21,375,183 in 1914 and $23,593,577 in 1913.

United Fruit Co.—EARNINGS for Feb. show a $400,000 gain in net as compared with same mo. last yr. Reg. quar. div. of $2 has been declared payable April 15 to stock of record March 25. The United Fruit Co., as common stockholder, together with the pfd. stockholders of the Nipe Bay Co., have decided to readjust the stock capitalization of the latter, which Co. should earn better than $2,000,000 net this yr. This will be equal to more than 40% on its capital as readjusted if the present plan goes through. Consolidation of this Co.'s stocks into one class would tend to close up any divergence of interest between United Fruit and present Nipe Bay pfd. shareholders. Dividends should be possible on the consolidated stock on a basis capable of being maintained regularly through good yrs. and lean.

U. S. Industrial Alcohol.—BOND EXTENSION.—$1,200,000 7% bonds of the Republic Distilling Co., whose entire stock is owned by the U. S. Industrial Alcohol, and whose bonds matured March 1, were extended for a period of 5 yrs. at same rate of int. Earnings for Jan. show an increase over those of same month a yr. ago. At annual meeting the office of chairman of the board was created and it is expected that Julius Kessler, Pres. of the Distillers Securities Corp., will be chosen chairman.

U. S. Steel Corporation.—NOW OPERATING abt. 70% of capacity. Output for present mo. will be in excess of 800,000 tons. Unfilled tonnage Feb. 28 was 4,345,371 tons, an increase of 96,800 tons, as compared with the figure of Jan. 31, 1915.

U. S. Rubber Co.—REPORT for yr. ended Dec. 31, 1914, shows net profits of $7,868,223 after deducting divs. on 1st and 2nd pfd. stock, amounting to $4,786,672, and divs. applicable to minority interest amounting to $200,885, the balance, $2,880,667, is equal to 8% earned on $36,000,000 common stock outstanding. This compares with an annual rate of 9.83% for the 9 mos. ended Dec. 31, 1913, and 7.46% for yr. ended March 31, 1913. Profit and loss surplus Dec. 31, 1914, was $20,005,322. To prevent American supply of plantation rubber from being again cut off by British embargo a representative committee of manufacturers and importers has been formed to safeguard American rubber industry as a whole, and to protect it against any individual action which may jeopardize present working plan. The Canadian Consolidated Rubber Co., the subsidiary in the Dominion of the U. S. Rubber, will do some new financing through issue of $1,000,000 7% pfd. stock at par. Improvements will be paid for from proceeds.

F. W. Woolworth Co.—SALES for Feb. were $4,519,291, an increase of $275,993, or 6.5%, and for the 2 mos. ended Feb. 28 they were $8,765,882, an increase of $306,018, or 3.63%.

Western Maryland. — TRANSPORTATION COSTS being cut. Jan. gross revenues declined only $6,500, or less than 1%, as compared with the same mo. last yr., while net revenues after taxes increased from $25,000 in Jan., 1914, to $120,000 in the same mo. this yr., or a gain of 364%.

Western Pacific.—RECEIVERS APPOINTED.—Plan for readjustment of Co.'s relations with Denver & Rio Grande not yet given out, as details are incomplete. Essentials are understood to provide for guaranty by D. & R. G. of interest in $20,000,000 new 2nd mtg. bonds which will be exchanged for $20,000,000 of existing 1st mtg. Western Pacific bonds. Balance of present $50,000,000 W. P. firsts will be exchanged for new adjustment income bonds, payment of int. on which will not be guaranteed, but for which D. & R. G. will pledge its surplus revenues to make up any deficiency shown by W. P. Int. on 2nd mtg. bonds will not be paid for 2 yrs. and this relinquishment of int. will be provided for in the rate of exchange of new 2nds for old 1sts. $25,000,000 new 1st mtg. bonds on the W. P. will also be authorized, although not more than $10,000,000 will be immediately issued.

Willys-Overland Co.—EARNING at rate of abt. 35% on common, present yr. is most prosperous in Co.'s history; shipments of cars running at rate of 300 a day and compare with 170 a day in yr. prev. Reg. quar. div., 1¾%, on pfd. is payable April 1 to stock of record March 20.

Joe Manning Migrates to the Wheat Pit

The floor will miss Joe. He is one of the cleverest and most incessant traders, as well as highly successful. Joe must have action, and if he can't get it on the New York Stock Exchange, he seeks it elsewhere.

The wheat pit seems to offer the greatest possibilities in the line of action, and that is why Joe has moved to Chicago.

Just as he went to London to trade in rubber, copper and British Consols, he goes to the Windy City in the hope of making two-eighths grow where only one grew before. In New York he was badly handicapped by the $4 tax on every hundred-share transaction.

Joe's friends don't see how he stands the pace. He may be sitting in a fashionable hotel or playing a round of golf, but he is continually in touch with the market by telegraph, telephone or messenger. He has the worst case of speculative itch in Wall Street.

PUBLIC UTILITIES

Shall We Sell Our Street Railway Stocks?

The Jitney Is Hurting the Tractions and Stimulating Automobile and Allied Industries

By RICHARD D. WYCKOFF

TO quote the New York *Sun:* "Ladies and gentlemen and others who do not depend entirely upon your pedal extremities to transport you from place to place:

"We have with us today the jitney bus!

"The jitney bus is here to stay. You might as well get acquainted with it now, for sooner or later the familiarity is bound to come.

"What is a jitney bus?

"A jitney bus, my children, is anything that runs on four wheels and gasolene and 5 cents. The four wheels and gasolene represent the bus part of the equation, and the jitney is a quick cut to the twentieth part of a dollar. You pay the jitney and the bus takes you to your destination."

While it is too early to predict the final effect of the jitney movement, developments have reached a stage where those who hold street railway securities should protect themselves.

In *The Automobile* of March 4, we find the following suggestive paragraphs:

A prominent automobile manufacturer believes that the world is on the eve of most startling developments in the transportation line.

In England the jitney busses have in some cases driven the street railway cars from the streets. In London these bus lines run in all directions, carrying passengers into the country to points which have never before been available to the rank and file.

The jitneys cost the street railway company in Dallas $30,000 during the month of February. There are now 412 licensed jitneys in that city, and the number is increasing daily.

The first jitneys have appeared on the streets of New York and Chicago.

In Buffalo, Harrisburg and many other cities, jitney bus companies have been organized.

In Winnipeg the Electric Railway Co. is protesting against the bus service, owing to inroads on its income.

In Des Moines, 43 jitneys have been licensed, and are taking in from $10 to $15 a day. Estimated that the street railway company will lose about $150,000 a year.

I do not know how far this "jitney rash" will extend, whether it will be a permanent development, or will fade away over night, just as it came. But I do know that it is a very serious problem with the street railway companies at present. Bankers who have large interests in that field reluctantly admit that they are very much concerned over the outlook. In one city the traction company has laid off 250 men, who have the jitneys to thank for their lost jobs. On the other hand, the Ford Motor Co. has very grave doubts as to any success coming in the jitney field through the use of automobiles. So there you have two opposite opinions—that of the bankers' being based upon losses already caused by the jitneys, and that of the Ford from a knowledge of the actual cost of maintaining and operating a gasoline automobile.

My belief is that a ten-cent fare will solve the problem.

There is but one safe position open to the owner of a street railway security at this stage. If he can get out even, or at a small loss, or at a profit, he should do so, and I definitely advise this as a matter of precaution, on the ground that just as good investments may be found in other fields. Then if the worst happens, and the transportation companies are seriously injured by this influence, he will be out of harm's way. There is no special inducement to hold on in the face of what might occur.

Another outgrowth of this jitney development should be the checking of the demand for street railway cars. Taking the equipment business in general, it is difficult to see how it could be very

much worse, but this influence, if it becomes permanent, should have a tendency to retard recovery.

EFFECT ON THE AUTOMOBILE INDUSTRY.

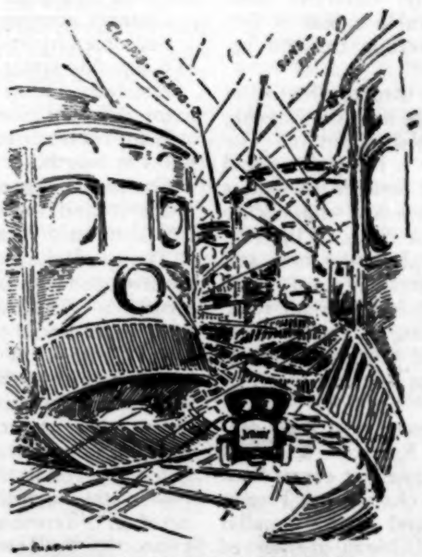
The favorable side of the question is the very stimulating effect that the demand for jitney busses should have on the automobile trade. Already it is relieving the market of a vast number of second-hand automobiles, and as every auto owner knows, this will greatly stimulate the sale of new cars. Nine men out of ten would buy a new model every year or two if they could dispose of their old car at a satisfactory price. The jitney bus is therefore paving a way for larger sales by the manufacturers of up-to-date cars. I know of one used car dealer in New York who had an order for 1,500 second-hand cars of various makes.

This may account for the wonderful increases in the sales now being booked in the well-known makes of automobiles. Maxwell is doing double the business of last year; Willys-Overland 300 cars a day compared with 170 a day last year; Buick is sold out for the season, and others are running away ahead of last year. As this is a year of "depression," the jitneys must certainly have something to do with this rapid recovery.

Jitneys use gasoline. Hence a wider field for consumption is opened, which probably accounts for the fact that the Standard Oil Company were willing to supply bonds for jitney bus drivers in San Francisco at a time when the latter were threatened with extinction. Uncle John D. and his confreres would very much like to see this jitney disease become chronic.

The third big article of commerce which will be in much greater demand is the automobile tire. We all know that when a car is run continuously, it wears out tires ten times faster than the one which is used for ordinary pleasure trips.

To sum up, therefore, the jitney developments are bearish on stocks of street railways and street car building companies. They are bullish on automobile oil and tire companies' securities.



BREAKING INTO THE BIG LEAGUE.

—*St. Louis Republic.*

Commonwealth Power, Railway and Light

An Example of Modern Efficiency in the Distribution of Electricity

By WILLIAM T. CONNORS

INVESTORS are becoming familiar with the advantages of the public utility holding company in assuring satisfactory maintenance of earnings through wide distribution of enterprises combined with concentrated and efficient management.

A still more important gain in efficiency, however, is obtained by the combination of hydro-electric generating plants and high-power transmission lines with street railways, interurbans, and light and power distributing stations—all within a territory small enough to permit economical transmission of electric power.

The economies permitted by this plan are substantially as follows:

1. Generating of the electricity by water power, which is, under favorable conditions, much cheaper than generating by steam power.

2. Uniformity in the demand for electric current, owing to the fact that it is applied to so many different uses throughout a considerable extent of territory. Thus the average demand remains about the same.

3. Economy gained through the use of the same transmission and distributing lines for varied kinds of business. For example, if electricity is being furnished to an interurban road between two cities it can be more economically supplied to street railways in those cities, to lighting systems and factories along the lines, and for all purposes in smaller towns scattered along or near the interurban road.

4. Economy resulting from the geographical cohesion of the entire enterprise, which promotes efficient management in many ways.

The Michigan properties of the Commonwealth Power, Railway & Light Company afford an excellent example of an enterprise of this character. Twelve important towns (and many smaller ones) in southern Michigan are served with electricity: Battle Creek, Bay City, Cadillac, Flint, Grand Rapids, Jackson, Kalamazoo, Lowell, Manistee, Muskegon, Pontiac, Saginaw. In seven of these cities the company also operates the street railways, gas plants in seven, steam heat in two and water systems in two. Then interurban lines connect most of these towns into a continuous system. There is a break in the chain from Saginaw to Owosso which it is proposed to fill in later. And transmission lines, mostly high power, form a net-work over the territory.

The Commonwealth Company has also a smaller center of power distribution around Peoria, Ill., and an interurban railway system connecting Freeport, Rockford and Belvidere, Ill., with Beloit and Janesville, Wis. It operates the street railway and electric, gas and heating plants at Springfield, Ill.; electricity and heating at Springfield, Ohio, and street and interurban railways, electricity, heating and gas at Evansville, Ind.

The total population now served is about 960,000, and the rate of increase from 1900 to 1910, according to the census returns, was 28 per cent. The various constituent companies operate:

Seventeen hydro-electric plants located in 6 separate water sheds.

Nineteen steam stations situated in many different cities.

High tension transmission lines 905.36 miles in length.

Gas mains aggregating 801 miles.

Street and interurban railways, with 919.03 miles of single track.

The generating plants are of the most modern and approved standard of construction. The installed generating capacity and horse power of the plants is over 165,000, of which hydro-electric plants furnish approximately 40 per cent. and the steam plants 60 per cent. The entire power generating system in Michigan is designed to operate as one combined hydro-electric and steam-electric power station, with its different units located in different communities, all interconnected by power transmission lines. All except three of the smaller plants in Michigan are now inter-connected by high tension power transmission lines into one system so located and connected

as to make it possible to utilize the entire output of the hydro-electric power stations with the minimum use of the steam-electric stations.

The company owns valuable undeveloped flowage lands on the Au Sable, Grand, Kalamazoo, Muskegon and the Manistee Rivers, which can be utilized as more hydro-generating capacity is needed.

Of the total of 905 miles of transmission lines, 487 miles are high tension, galvanized structural steel tower lines of the most modern construction, and the balance—418 miles—are pole lines. The current carried is from 1,000 volts to 140,000 volts, the 140,000-volt line being one of the highest voltage transmission lines now in operation.

The electric power market of the companies is one of the best in the country. In addition to the power used by the railways the companies have a very large business furnishing power to a diversified line of manufactures in different communities. Prominent among these are automobiles and automobile parts, agricultural machinery and implements, food products, furniture, paper, etc.

In the aggregate, the company serves 80 cities and towns with electric light and power, 67 with electric railways, 11 with gas, 9 with steam heat and 2 with water.

EARNING POWER

In considering the future of this company, we labor under the disadvantage that the earnings cannot be compared over any extended period. Its holdings were so much enlarged beginning with May, 1913, that there is little use in going back of that date for comparisons. The separate earnings of the various subcompanies do not afford a just comparison, because the whole idea of the company is to increase the earnings by judicious combination.

No fault can be found with the character of the territory in which the company operates. Its industries are varied. Prominent among them are automobiles and parts, agricultural machinery, food products, furniture, paper and typewriters. In agriculture this region is scarcely excelled by any other. Population is growing rapidly and business has been increasing even more rapidly.

Earnings on the stocks for 1913 and 1914 were at about the following annual rates:

	1913	1914
Preferred	13.3%	14.0%
Com. (after pref. divs.) .	7.5%	8.3%

The preferred pays 6 per cent. dividends and the common 4 per cent. The table herewith shows the proportion of the earnings derived from the different classes of properties.

The price of the preferred stock is now 82, giving a yield on the investment of 7.3 per cent., while the common is about 55, yield practically the same. The common, of course, has the greater speculative possibilities because it may pay a higher rate of dividend in the future.

In an enterprise where higher earnings are sought to be made through increased efficiency, the question of management is important. No exception can be taken to the firms of E. W. Clark & Co., Philadelphia, and Hodenpyle, Hardy & Co., New York, who have the supervision of these properties.

Commonwealth Power is still in the growing stage and it will probably be some time before its stocks sell on the basis of as low a yield on the investment as more seasoned securities. The preferred stock has every appearance of a reasonably safe dividend-paying investment, with some probability of appreciation.

The common stock impresses me as an

Distribution of Gross Receipts.

Gross Receipts	1914	% of Total	1913	% of Total	Increase	% Inc.
Gas	$2,604,889.29	17.76	$2,559,827.65	17.97	$ 45,061.64	1.76
Electric, Heating and Water	5,795,175.94	39.50	5,346,612.05	37.53	448,563.89	8.39
Railway	6,270,697.59	42.74	6,338,790.72	44.50	*68,093.13	*1.07
Total	$14,670,762.82	100.00	$14,245,230.42	100.00	$425,532.40	2.99

*Decrease.

attractive speculative investment. Its earnings may not prove as stable as those of public utility companies which have become more thoroughly established, but it has a liberal margin over current dividends. I see no reason why the company's plans should not be carried out successfully, and if so, the margin over dividends ought to show a further increase.

Public Utility Inquiries

Do Not Fight an Overwhelming Majority.

I had 100 shares U. S. Light & Heating common, which, after it went into receivership, I was advised to deposit with the Guaranty Trust Co., which I did. A few days ago I noted that a financial writer advised a questioner not to deposit his shares with the new committee as they propose to charge all expense to the stockholders. Do you share his opinion?

Your holdings in the United States Light & Heating Co. are not in an enviable position, since suit has been filed on behalf of creditors that special receivers be appointed by the U. S. District Court to recover assets, which, it is stated, have been lost through the "fraudulent, irregular and unauthorized acts" of promoters and directors. At the same time you must not allow yourself to be swayed by every financial squib appearing in the newspapers. It is only proper that stockholders bear the expense of readjustment. Unless you can gain the co-operation of an appreciable amount of stock, it would be well for you to go with the overwhelming majority rather than fight them. Therefore, we would advise you to leave your holdings with the Guaranty Trust Co.

United Rys. of St. Louis.

J. G. C.—The management of United Railways of St. Louis is apparently conservative and safe, but cannot be considered particularly progressive. The number of passengers transported by these lines has hardly kept pace with the rapid increase of population of the locality traversed. You would probably find greater profit in changing your holdings into more active securities, possessing a wider market. The stocks of the Twin City Rapid Transit Co. are in somewhat the same category as United Railways of St. Louis, but offer an investment more likely to show increase of market value.

St. Joseph Ry., Lt., Ht. & Pr. Certificates.

R. H.—St. Joseph Railway, Light, Heat and Power Company 6% sinking fund gold stock trust certificates are an attractive speculation, but cannot be considered a conservative investment. A purchase of these certificates would be about the same, so far as security is concerned, as buying the common stock of this company at 35, and receiving a dividend yield of 8% on the investment for two and a half years. No reason is apparent why the common stock should not earn enough to cover this interest obligation, as the company's surplus above fixed charges has been increased from year to year.

We would not consider these certificates a suitable investment for the funds of your bank, but for your personal account as a speculative proposition they might be worthy of consideration.

Great Western Power 5's.

A. R.—The last nominal quotation was around 78. You understand, of course, that this is not the actual market. You would have to get this by inquiring of some good dealer in inactive securities or from your own banker. These inactive bonds have a varying market which you can only get by a quotation at the moment. This is a medium grade bond, and we know no reason why it is not safe to hold.

Los Angeles Pacific Bonds.

A. H.—Los Angeles Pacific Co. first Ref. Mtge. 5% bonds, due 1950, are worth-while investments, and if they are guaranteed by the Southern Pacific Railway, they are all the better. But not all of the bonds, of which something over $8,000,000 are outstanding, are guaranteed by the Southern Pacific. Only $4,481,000 are so guaranteed. You should find out definitely whether the bonds you want to buy are some of these. The bonds are a high-grade utility issue. The relation of the company with Southern Pacific enhances their value and justifies a good investment rating. The original issue in 1911 was put out by very good investment houses.

Va. Ry. & Power Bonds.

C. S.—Virginia Railway & Power 5% bonds of 1934 we consider a good bond for the business man with a surplus to invest. We would not advise you to put all your money into this one issue, but to diversify your purchases. About 90 seems to be the

market for this bond, which gives the investor a good income, and is a fair price for the security.

B. R. T.

C. D.—We advise holding Brooklyn Rapid Transit a while longer. We look for it to go higher than at present (88).

Kentucky Utilities.

F. C. D.—Kentucky Utilities Co. First Mortgage Gold 6's, due October 15, 1919, are bonds secured by a first mortgage on the entire property of the company, which has been valued considerably in excess of the outstanding bonds. The earnings show a wide margin of safety and a favorable rating seems justified.

Notes on Public Utilities

American Cities Co.—REPORT for yr. ended Dec. 31, 1914, shows total receipts $1,928,676, comparing with $1,850,310 in 1913. Net income after int. on bonds $1,333,808, comparing with $1,292,686 in 1913. Surplus after divs. on pfd. $100,598, equal to 0.61% on $16,264,700 common stock, comparing with $59,476, or 0.36%, for previous yr. Board of directors recently made trip of inspection to various properties and found them in good physical condition.

American Gas & Elec.—EARNINGS for 1914 are understood to have been the best in Co.'s history. Full report not yet out, but gro. income of subsidiaries is understood to have been abt. $4,368,882, comparing with $3,811,292 in 1913. The net was $1,389,990, against $1,284,008, the balance available for common was $694,980, against $580,613, a gain over 1913 of $114,367.

American Light & Traction. — ST. JOSEPH GAS CO., a subsidiary, has won favorable decision on franchise contentions. City brought suit to oust Co. on ground that it had violated its franchise by substituting natural for artificial gas. Earnings of Amer. Light & Traction subsidiaries for Jan. showed some improvement over those for the closing mos. of 1914, and while the improvement in business has not been rapid, it has been well maintained. American Light & Traction for the current yr. is doing only such extension work as is rendered necessary by new business, which is self-supporting.

American Tel. & Tel.—RATE QUESTION in New York City settled by Public Serv. Com. Case was compromised, N. Y. Tel. Co. being allowed claim that it is entitled to earn 8% on $84,000,000 property valuation. New schedules will affect a reduction in New York Tel. Co.'s gro. income, amounting to abt. $2,700,000 a yr. Amer. Tel. & Tel. will this yr. make 1st material cut in construction program since 1908. Jan. shows slowing down of business growth. 4½% convertibles are being rapidly converted into stock.

Brooklyn Rapid Transit.—GAINS in gro. for Feb. were at rate of $2,000 a day. This follows a decrease of $1,600 a day in Dec., as well as material shrinkage in Jan. Net, however, has been satisfactory this fiscal yr., the gain to date for divs. being something over $350,000, which is equal to abt. ½% on the $74,000,000 stock. This gain is more apparent than real, as it represents a decrease in charges due to bond conversions last yr.

Cities Service Co.—REPORT for Jan. shows gro. earnings $423,900; net $412,972. surplus after divs. on pfd. $241,306.

Commonwealth Edison.—REPORT for yr. ended Dec. 31, 1914, shows gro. earnings of $19,277,959, comparing with $17,100,270 in 1913. Net was $5,777,053, comparing with $6,241,927 in 1913. Surplus for divs. was $4,177,053, or 9.11%, on stock, comparing with $4,097,927, or 8.94%. Increase in operating revenues was mainly due to additional elevated and surface street railway power business, which was contracted for in 1913, taking over customers previously served by Cosmopolitan Elec. Co.; 40,000 other customers were also gained. Profit from increased business was largely offset by reductions in rates. Principal change in Co.'s obligations during yr. was issue of $7,000,000 1 yr. 5% notes. Early this mo. the Ill. Public Utilities Commission authorized Commonwealth Edison to issue $10,921,000 first mtg. 5% bonds of date of Sept. 1, 1908, and maturing June 1, 1943. Co. has $7,000,000 1 yr. notes outstanding, and above authorization is probably intended to anticipate refunding of the notes.

Detroit Edison Co.—EARNINGS.—Gro. for Jan. increased from $603,336 in 1914 to $708,378 in 1915. This is a 17.4% gain. Operating expenses increased $41,123, or 12.7%.

Detroit United Railway.—SALE of city lines apparently under way. It is understood that stockholders at special meeting March 31 will take favorable action on proposal of City of Detroit to assume payment of principal and interest of $24,900,000 funded debt of Co. in return for acquisition of city street railway line. Co. now operates 821 miles of city and inter-urban lines. If sale is consummated, holders of $12,500,000

Detroit United stock would own equity in 598 miles of inter-urban lines subject to underlying lien of $10,640,000. Co. also would have to provide for payment of short-time notes issued by Det. United, as city does not take account of these in its proposal; they amount to $2,000,000 in 6's due Feb. 5, 1916.

Electric Bond & Share Co.—INCOME ACCOUNT for yr. ended Dec. 31, 1914, shows gro. $1,558,521, comparing with $1,-554,404 in 1913. Net was $1,137,042, comparing with $1,129,396 in 1913. Surplus after divs. $438,650, comparing with $488,495. Co. is offering $1,000,000 new pfd. stock to present holders of pfd. at par in ratio of 1 new share for each 5 shares old stock owned. Holders of common are offered $1,000,000 new common at par in same ratio of 1 to 5. Subscription open to stockholders of record March 3.

Kansas City Railway & Light.—REFINANCING PLAN disapproved by Federal Court. No further action in view for present, but plan of procedure will be discussed in N. Y. by bondholders and associated interests. These believe that sufficient equity for their needs is on hand in any event and hence rehabilitation may be left entirely to stockholders.

Mass. Elec. Cos.—GROSS increased $9,-300 in Feb., or 1⅗%, as compared with same mo. of 1914. This gain follows 3 mos. of comparative decreases, viz., $1,500 in Jan., $6,300 in Dec. and $7,100 in Nov., and indicates a progressive betterment over the past 3 or 4 mos.

Montana Power Co.—BOND OFFERING.—Additional $6,000,000 in 1st and ref. mtg. 5's being put out. Business of Co. is unhampered by war situation. Present issue of bonds finances the Co. for 2 or 3 yrs.; with proceeds treasury will be reimbursed in part for expenditures made for construction and additions to property. There will then be no floating debt and additional cash capital will be provided to the amt. of $3,500,000.

New York Edison Co.—REDUCTION of maximum charge for electric Co. decided by Public Serv. Com. Change from 10c. to 8c. kilowatt hour is estimated to mean a reduction of revenue to Co. of abt. $1,800,000 a yr.

North American Co.—REPORT for 1914 shows operations of subsidiaries. Gro. earnings of Wisconsin Edison Co. were $1,119,-204 in 1914, from which was deducted $394,-594 for expenses and int. charges, leaving a net income of $724,610. During the yr. the Co. acquired from the North American Co. the securities of the Wells Power Co. and the capitalization of the Edison Co. was re-arranged so that it now has outstanding $6,500,000 10-yr. 6 convertible debentures and 215,000 shares of stock, without par value. Operating revenues of Milwaukee Elec. Ry. & Light Co. were $6,005,495, a decrease of 0.19%; net earnings were $1,838,-877, a decrease of 0.90%. Milwaukee Light, Heat & Traction Co. showed gro. revenues of $1,493,667, a gain of 3.49%; net earnings decreased 2.35%.

Pacific Gas & Elec.—STATEMENT of earnings for yr. ended Dec. 31, 1914, shows gro. $17,220,503, an increase of $1,018,166, or 6.2% over 1913. Net revenue was $8,306,582, an increase of $1,435,451, or 20.8%, over 1913. Balance after int. charges was $4,-115,181, an increase of $1,146,095, or 38.6%, over 1913. Co. has sold $5,000,000 gen. and ref. 5% bonds recently authorized by Cal. R. R. Commission.

Pacific Tel. & Tel.—REPORT for yr. ended Dec. 31, 1914, shows gro. earnings $19,221,602 ,comparing with $19,593,536 in 1913. Net $4,825,434, comparing with $4,-433,922; surplus after pfd. divs. $340,175, equal to 1.88% on $18,000,000 common stock and comparing with $336,589, or 1.87%, on same stock prev. yr. Total assets are given at $108,498,203, comparing with $104,871,247 in 1913. Chairman Henry P. Scott says: "Number of stations added during the yr. was 44,940, net additions to plant for yr. amounted to $3,163,818. On Dec. 31, 1914, total mileage of wire, aerial, underground and submarine for the system was 1,847,410, an increase of 41,241 miles for yr.

Third Avenue.—FEB. GROSS showed increase of $102,000, as compared with prev. yr.'s same mo, which had, however, suffered from heavy storms. For 7 mos. ended Jan. 31, Third Ave.'s surp. after charges was $526,417, comparing with $580,608 for prev. yr.'s similar period. This yr.'s 7 mos. surplus equaled 3.2% on stock.

United Light & Power Co. of Cal.—REORGANIZATION. — Co. has requested State R. R. Com. to approve reorganization plan providing for transfer of property of subsidiaries to new Co. to be known as the Consolidated Elec. Co. New Co. shall issue $3,000,000 5% 40-yr. bonds, to be guaranteed principal and interest by Western Power Co. All the cap. stock of the new Co. will be issued to the Western Power Co. It is proposed to issue $2,207,000 of the bonds in payment of the property.

United Rys. Investment Co.—FISCAL YR. changed to begin July 1. Annual meeting this yr. will be held in Oct. This will permit Co. to issue annual report at same time as subsidiaries and consolidated statement for all Cos. will result. Earnings for 1914 were somewhat reduced because several subsidiaries used their income for corporate purposes instead of declaring divs. Earnings of United Railroads of San Fran. have been seriously affected by jitney bus competition. Depression in Pittsburgh district was keenly felt by Philadelphia Co. and underlying properties, gas, electric and traction. Since the middle of Feb., however, there has been a turn for the better, and the gas and oil properties in that mo. showed a good increase in business, while the 1st week of March showed an average increase of $800 a day in the earnings of the Pittsburgh Railways Co.

MINING, OIL AND CURB SECURITIES

Limiting Your Risks in Mining Stock Speculation

Some Risks Which Readers of This Magazine Failed to Avoid—And What Happened

By ARTHUR PRILL

Third Article

JUST how many ways are available for relieving a feline of its epidermis has never been ascertained, but three varieties of complaint have reached this office in the last week's mail—learn from the pain of others.

One confessed:

> I bought 50 shares Midway Consolidated Chief Oil Co. of Cal.
>
> I knew this was risky, but thought sometime it might be worth something. I now want to sell some of my holdings as I have been sick and out of work. I have tried several brokers, but none offer any market in which I can get back a fair portion of my investment. If I can make any sale, I would like to put part of my money into something with a chance to increase, as I am told Standard Oil of New York did when it declared a dividend of 2,900 per cent.

The man who spends his time and money looking for an issue which will pay 2,900 per cent. is in no danger of finding the gates of heaven closed because he died too rich. He is looking for practically unlimited profits and therefore can place no limit on his risk; it was only a question of time—a very short time—when he must find himself "skinned."

The second plaint came from a young man who had just inherited an estate. We appraised his new found wealth for him thus:

> The Union Copper Mines Co. property was sold at sheriff's sale July 7, 1913, to meet judgment for miners' wages.
>
> The Gold Hill Copper Co. was succeeded in 1910 by the Gold Hill Consolidated Co. The financial condition of the latter is highly involved, and we have no reason to place any confidence in the management.
>
> The White Knob Copper & Development Co., whose property was located in Idaho, is understood to be defunct.
>
> The Bingham Mary Copper Co. owns or owned some low grade deposits, work upon which, however, ceased in 1913. The company was also involved in litigation with adjoining interests.
>
> Phoenix Cheese Co.—We have made careful search, but can secure no information about this enterprise.

We would like to bet St. Peter that the above estate did not form a hump big enough to prevent the testator's passing through the needle's eye. The risk was distributed widely enough from a geographical point of view, but the financial standing of these "securities" was all of one kind—the kind that long ago floated down the curb into the sewer.

The third "help wanted" came from a man who had carefully selected his securities, yet got caught in the meanest trap of all. He wrote:

> I have been carrying stocks on

margin with ...A.B... through their Chicago branch. I also have an account with ...Y.Z... and decided to transfer my ...A.B... account to the latter house as I had become distrustful of ...A.B...'s methods. ...Y.Z... agreed to take the account and last December I asked ...A.B... to make the transfer and they replied that it would be done. In the early part of January the account had not been delivered and I reminded ...A.B... of it. Late in that month I visited the Chicago office and urged them again to transfer my account to ...Y.Z... The manager agreed that it should have been done long before, but gave as excuse that the Goldfield boom had kept them extremely busy. It is now March, and ...A.B... still hold my stocks. Naturally I am now more determined than ever to break away from ...A.B... What would you suggest as an effective course for me? —K. L. K.

Our reply was as follows:

Mr. K. L. K.—Dear Sir:

It is evident that ...A.B... have followed their usual course, bucketed your order and are trying to hold your account until it shows you a loss, which of course would be net profit to them, whereas the actual filling of your orders would mean a loss to them. Your only recourse is threat of publicity and legal action. It is probable that at the first remonstrance from your lawyer this brokerage house will promptly make the transfer you desire as they have large capital invested in a chain of branch offices and can not afford to let such a complaint get into the public press.

K. L. K. had shown good judgment in his selection of issues and percentage of capital placed in each, yet the result shows that it is best to follow the advice printed in recent issues of the MAGAZINE of WALL STREET at the bottom of the first page of the Mining Department: "We strongly recommend that all trading in curb and mining as well as listed securities be done through houses whose names appear either on the New York Stock Exchange membership list or in the pages of the MAGAZINE OF WALL STREET."

If a mining stock account is to show continued profit, every possible risk must be eliminated and that of falling into the hands of irresponsible brokers can easily be avoided. While even a member of the Big Exchange can never be considered absolutely beyond danger of failure, for some of the strongest banking houses in the world have, according to the pages of English and American commercial history, been overcome in eras of financial stress, yet the man who entrusts his account to the regulated firm with connections recognized as the best obtainable, obviously enjoys a large measure of protection not given to the man who sends his check to persons over whose conduct no one has any authority. Before this magazine accepts the advertising of a non-Stock Exchange member, we send a man to examine the situation, discreetly of course—the subject of the operation as a rule does not know of it, but the net result is that our readers may place their accounts with our advertisers in confidence that, barring humanly unavoidable accidents, those accounts will be satisfactorily handled.

Where do the big risks come from?

Fifty per cent. of the losses suffered in mining stocks are due to the reading of curb brokers' literature, thirty per cent. are coincident with the appearance of prospectuses and follow-up letters from promoters not connected with financial fake emporiums, and the residue is just natural born sucker, whose navel string has not yet been cut from dam Folly (sire—Ignorance). He declines to learn from the fate of others, but must buy some experience marked with his own initials. Let him.

The majority of our readers, however, are glad to be shown the way. To their attention we bring another letter which reached us since the last issue was printed:

The Editor:

In THE MAGAZINE OF WALL STREET, issue March 6, 1915, page 387, the following appears: "International Mines — Warning — THE MAGAZINE OF WALL STREET warns its readers that while International

Mines stock may be manipulated to show apparent rich speculative profits in the near future to the accompaniment of glittering market letter announcements, the issue is a dangerous one for people who like to keep their money."

Do you consider the parties at the back of this scheme as not reliable? Or do you consider the prospects controlled by this company as very poor? Or again, do you refer only to the unsettled conditions in Mexico. Would prefer a reply through the columns of THE MAGAZINE OF WALL STREET. If you do not care to publish a reply to this, you might be willing to send me a reply by mail. —E. D., a constant reader.

P. S.—No doubt you are referring to the International Mines Development Co., with several prospects in Mexico.

The expert wording of this letter leads us to surmise that although it arrived from Canada, it may have originated three blocks from our office. We answered:

In regard to International Mines we warned our readers that the stock *may be manipulated.* Whether this be done by the management or by some one else is immaterial to us or to ordinary speculators such as compose the major portion of subscribers of THE MAGAZINE OF WALL STREET. There may be some people clever enough to make money in a highly manipulative mining stock from the outside, but we have never met them. You are correct in surmising that we referred to the International Mines Co., which owns several prospects in Mexico.

The mining outlook for the company's property is that of a prospect. Until it has proved ability to make money we can not recommend its purchase. The methods of practical politics as at present carried out in Mexico certainly do not add to the immediate desirability of any issue whose financial standing rests south of the Rio Grande.

We can only amplify our warning by saying that, although the fake mining game is different in some respects from a revivalist prayer meeting, the sole certain method of avoiding the penitent's bench is—Keep Away from the whole outfit.

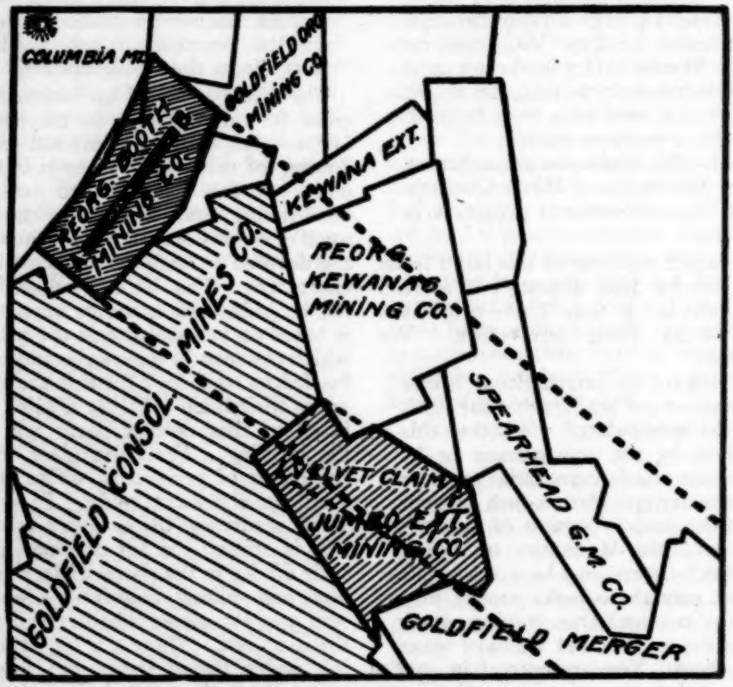
The letter included an insinuated request for our opinions on the character of two curb brokers connected with the floating of this issue, but as it is not the policy of this magazine to revive the muckraking era, we answer such personal questions only by letter; these pages are devoted to analyses of securities, not characters. The latters' reliability can not be judged by earnings or surplus, it is based on years of life in every hour of which the man in question could meet all his fellow men, look them in the eye and grasp their hand with the implied understanding that neither party will regret the meeting. Therefore place funds in the hands of persons to whose standing you have a distinct guide. To avoid the weak securities, throw away everything that is offered you for nothing—particularly advice in the shape of free curb letters, and mining publications which are sent you for weeks whether you pay for them or not. There's a big stratum of ink under Broad street, but those who pump it up always make somebody pay. Don't empty your own fountain pen on your check book till you are certain just what you are paying for and to whom.

The End.

Jumbo Under Knife for Apex-itis

A "Successful Operation" Assured
BUT
Should Original Stockholders Order Flowers and Slow Music?

NO tanglefoot whiskey that passed over the unplaned plank bars of early Goldfield caused such muddled arguments as are heard these days among the board room and curb miners between Pittsburg and New York. Studying the recent news from Nevada with any profit has been impracticable for many holders of stocks in that state's premier camp.



Portion of Goldfield District

A-B on the Booth property marks the Apex or outcrop of the Booth vein, which this company alleges is continued downward through Goldfield Consolidated ground into the Velvet claim of the Jumbo Extension.

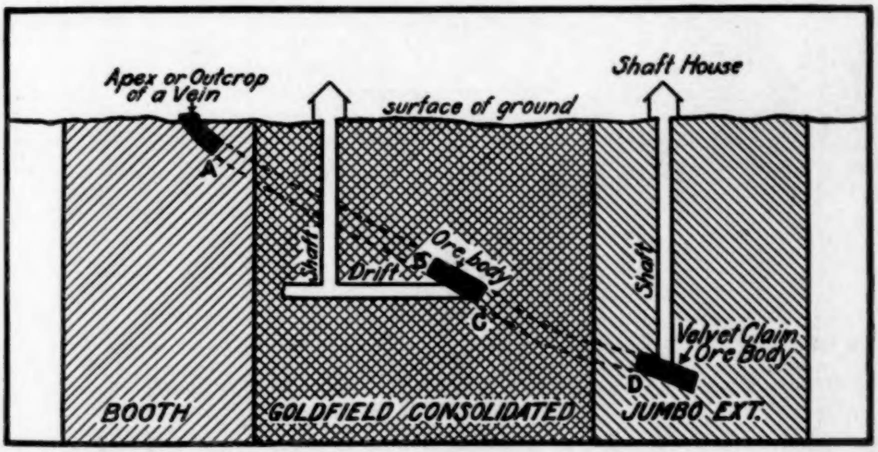
According to the "Apex Law," which was passed at the same session as the "Let George Do It" statute, a man is permitted to build a hoist over ground, as on Jumbo Extension, is encouraged to grease the axles with his own sweat and with his stockholders' money, but the moment that he pokes his candlestick into a bit of quartz flecked with meal-tickets, a party in an armchair, six hundred yards away, as on the Booth ground, knocks the ashes out of his pipe, motions to a lawyer person, and the poor boob at the hoist finds his rope cut.

See the two long, parallel, dotted lines?

A sort of Tropic-of-Cancer line passes from each end of the Booth claim, around the world to China and back again and straight down to where it gets so hot that the gold melts and asbestos market letters become incandescent; everything between those lines has been legislated into a war zone in which mines may be floated, but the Velvet has long been singed off.

How can Booth, located a third of a mile from Jumbo Extension, claim an orebody just discovered in the latter's ground. The answer is—"Lawyers' Law." Before the throne of Eternal Justice the man who discovers an outcrop, or apex, and works it, certainly has the right to follow his ledge as fast and as far as the drills will churn into rock, but the law as it stands takes no account of time and the potential development of surrounding properties and the latter are condemned to await the apex owner's pleasure—if he can prove his contention.

The present litigation is a bluff, but people who buy the Jumbo Extension-Booth-Merger class of stock are of that ever-changing type of which a new one is born every minute. Hence they do not recognize the bluff and could not protect themselves if they did; they have been whipsawed from the cents to the dollars levels and back again several times this winter. Goldfield men who make a business of mining, and New York men who make a business of buying and selling or bucketing mining stocks are getting what they want; the small fry in the net will get what is coming to them. There will be a handsome profit both for miners and brokers; when Jumbo convalesces from the apex operation, she may grow into a big mine too, but original stockholders should go to the florists early to avoid the rush.



The Opportunity—As an Apex Litigant Sees It.

Above sketch is not intended as an exposition of the exact location of claims, shafts and workings of the mines involved, but explains the theory upon which Booth alleges right of ownership over the Velvet Claim ore body. The Booth property shows the apex or outcrop of a vein which pitches or points in the general direction of another portion of a vein in the Goldfield Consolidated ground at considerable depth, but the distance from "A" to "B" is not connected by workings and therefore it will be difficult to prove that the two portions of veins are parts of the same ore body.

Further down in the same general direction, but in the Jumbo Extension Company's Velvet claim, a third body of ore or vein-matter has been opened up and this is so rich that if it proves to be of sufficient extent a valuable mine will be developed. The possibility of vein continuation from "C" to "D" is as unknown and unproved as that from "A" to "B," but Goldfield operators being human, promptly forget the Tenth Commandment, Mount Sinai vintage, and evoke every legal monstrosity born of Washington, D. C., and Carson City, with the result that people whose money opened the Velvet ore body must let dividends wait for the coming of another Daniel (Gug. ?) to judgment.

HOW to Take Advantage of the Goldfield Situation—the proper and conservative policy is based on the simplest of reasoning—See next issue of THE MAGAZINE OF WALL STREET.

The Mining Situation

Copper Shares Offer Safety and Profit—Zinc Stocks Are at a Dangerous Level

COPPER is strong, close to the 15-cent level, although domestic demand is limited mainly to makers of war material, and export difficulties are increasing rather than diminishing. The answer to this apparent anomaly lies in the fact that the large producers look far ahead. The world's supply of copper stocks ready for use is abnormally small as compared with what manufacturers will need the moment that the shadow of war passes. Holders of securities founded on proven copper ore-bodies can go to sleep with a smile that needs no New Thought or Christian Science stimulus, because the coming of peace is a day nearer with every sunrise and when it comes, 16 to 20 cent copper is probable.

Silver looks better than for months. The London market shows a tendency to recover, but the demand from the Far East remains materially affected; the white metal tarnishes sadly under gunpowder smoke. At the same time the silver miner who can afford to wait is in a position almost as good as the man who already catches a glimpse of daylight as he mounts out of his copper shaft. Those who buy into Tonopah and Cobalt producers—not prospects—taking home the certificate, will get from five to ten times savings-bank interest.

The spelter market is at a dangerous level. The outsider who now dreams of zinc possibilities may wake up and find that his account has rushed ahead as though he had planted Jack the Giant Killer's beanstalk; again he may find that a tin box from Lilliput is big enough to hold the values that remain. The outcome of this gamble is beyond prophecy, and while prices of zinc mining stocks are likely to be maintained for the duration of the war, may possibly even continue to rise (for you can never limit the profits of a good mine), we would prefer to see our speculatively inclined readers take up such issues as Chile Copper, Braden, Alaska Gold, Hollinger or Goldfield Consolidated, whose product is independent of international armaments.

Mining and Curb Digest

Adventure Cons. Copper Co.—REPORT for yr. ended Dec. 31, 1914, shows receipts of $15,805; expenditures, $13,750; balance, $2,054. Cash on hand $104. On deposit $9,159; total cash $9,263. No mining or regular work of any kind has been done during past yr. Co. realized on sale of supplies, stumpage, land and mass copper previously produced.

Ahmeek Mining Co.—CAPITAL INCREASE from 50,000 to 200,000 shares advised in circular from Director Chadbourne. This would improve market situation of Co.'s stock.

Alaska Gold Mines Co.—ORE CONTENTS average $1.94 per ton, which is better than was shown by experimental tests. Mill extraction reported as more than 90% of total value.

American Zinc.—EARNED more than $115,000 net in Feb. Mar. is expected to show $150,000.

Anaconda Copper Co.—RESUMPTION announced at Poulin Mine, which means additional output of 250 tons of ore a day. The Co.'s Pa. mine also to become active, producing 600 tons a day. Indications are that other properties will be opened gradually until complete normal activity is resumed. Co. at present working 70% of capacity. Option on Butte-Duluth allowed to lapse.

Arizona Commercial Mfg. Co.—SHUT DOWN POSSIBLE if Old Dominion is unable for long time to handle enormous volume of water now appearing in latter, as this water would probably get into Arizona Commercial's workings.

Arizona Copper Co.—REPORT for yr. ended Sept. 30, 1914, shows profits of $1,358,505 from record output. After paying divs. a balance of $136,420 was carried forward.

Butte Balaklava.—RESUMPTION of activity expected, with between 50 and 100 men.

Butte & Superior.—DIV. POLICY may change, as larger working capital is required. Output during Feb. was at a record level. Daily average production was 439,000 lbs. zinc in concentrates.

Calumet & Arizona.—RAILROAD likely to be built to New Cornelia Mine; line

would be 44 miles long. Meeting of stockholders called for April 12 to permit additional stock issue. New Cornelia will probably be financed by a bond issue, principal and int. guaranted by Calumet & Arizona.

Chief Consolidated.—REPORT for yr. ended Dec. 31, 1914, shows ore sales, $290,-907; divs., $87,676; balance on hand Jan. 1, 1915, $186,745. The adjoining Mayday property has discovered a new ore body which extends into Chief Cons. ground.

Chile Copper Co.—PRODUCTION to begin about April 30. No more securities to be issued according to present plans, as money from $50,000,000 bonds and $3,500,000 short-term notes provides all cash necessary until profitable basis is reached, which should be within 2 mos. from starting of operations.

Chino Copper Co.—DIV., regular quar., 50c. a share, declared payable March 31 to stock of record March 12.

Consolidation Coal Co.—ROCKEFELLER CONTROL confirmed. J. D. R. took over issue of $7,000,000 in 7% 2 yr. conv. debenture bonds, principal and int. of which can be turned into stock when bonds are due. $40,000,000 gro. and $5,000,000 net is spoken of as probable for next yr.

Copper Range.—NO DIVS. in sight, as working capital needs further replenishing. Outlook improved, however, since Champion Copper Co., which is owned half by Copper Range and half by St. Marys Mineral Land Co., has declared its second $1 div. for 1915; the two declarations mean $100,000 for Copper range treasury.

Dome Mines Co. (Porcupine).—JAN. OUTPUT was 23,220 tons milled, the highest figure on record. Grade of ore was $3.56 a ton, which is the lowest so far, with the exception of Dec., which was $3.53 per ton.

Dome Lake Mine & Mill Co.—ORE MILLED at present amounts to about 90 tons a day, with 80% extraction. At annual meeting it was shown that Dome Lake owes Hudson Bay Co. $79,000.

Eagle & Blue Bell.—REPORT for 1914 shows earnings of $121,536, compared with $147,198 in 1913. 7 divs. paid during yrs. 1913 and 1914 amounted to $312,601, or 35% on stock outstanding.

Franklin Mining Co.—STAMP MILL will probably not be able to start until opening of navigation, as supply of coal is short.

Goldfield Consolidated Mines Co.—NO APPREHENSION over Booth Apex suit, as Booth some time ago signed release for liability should Booth rights at any time prove to extend into Gold. Cons. ground. Latter now may mine its property to unlimited depth within vertical lines where these touch Booth property. Feb. production was 29,864 tons mined; gro. extraction $340,000; net realized $172,000.

Granby Consolidated.—OUTPUT will for present be restricted to rate of abt. 30,-000,000 lbs. annually. Jan. earnings were abt. $100,000; divs. will probably not be considered before April meeting of directors. Last disbursement was $1.50 a share, June, 1914.

Hancock Consolidated.—ANNUAL REPORT for 1914 shows receipts $229,894, of which $164,000 was from a loan. Disbursements were $214,971. Copper sales realized $65,427. Balance sheet shows $424,267 notes payable; operations suspended since Aug. 8, 1914.

Houghton Copper Co.—AT AUCTION SALE 3,825 shares stock on which $2 assessment was due were bought in for Co.'s treasury. On 570 shares $1 assessment was due.

Island Creek Coal.—FEB. PRODUCTION was 130,000 tons, which is 15% less than a year ago.

Jim Butler-Tonopah Mining Co.—REPORT for Jan. shows net profits $18,033.

Jumbo Extension Mining Co.—WORK RESUMED under agreement with Booth Co. Proceeds of all ore taken out to be accounted for to U. S. Court.

Jupiter Mines, Ltd.—SHAFT FILLED UP, as pumping costs were heavy.

Kelly-Springfield Tire Co.—DIVIDEND, reg. quar. 1½% on 1st pfd. and 1¾% on 2nd pfd. payable April 1, and 1½% on common, payable May 1.

La Rose Cons.—DIVIDEND.—Quar. 1% declared payable April 20. Prev. rate was 2½% quar.

McIntyre (Porcupine). — TREATED 8,125 tons ore in Jan. Average value $7. Costs $4.65 a ton; bullion recovered valued at $55,581.

Mass. Cons.—REPORT for yr. ended Dec. 31, 1914, shows total receipts $481,075, of which $375,530 was from sale of copper, $100,000 from assessments and $5,545 from sales of real estate. Total cost per lb. of copper refined, including strike expense, construction and int., was 14.052c. a lb. Bal of assets Dec. 31, 1914, was $45,887, comparing with excessive liabilities the yr. prev. of $18,858.

Mayflower Mining Co.—REPORT as of Jan. 1, 1915, shows cash on hand $55,115 and uncollected assessments $26,771, of which $2,403 has come in since that date. 1914 expenditures were $36,290, of which $26,483 was for diamond drilling. Explorations made to date do not permit definite reliance on results.

Miami Copper Co.—DIVIDEND RESUMPTION expected in April at 50c. a share, quar. rate. Production now abt. 66% of capacity.

National Lead.—INCOME ACCOUNT for yr. ended Dec. 31, 1914, shows net earn-

ings $2,476,293, or 10.16%, on pfd. and 3.73% on common. 3% was paid on common. Current assets were $11,631,559; current liabilities $988,835; working capital $10,642,724. Business officially declared sound.

Nevada Cons. Co.—NEW DIV. rate of $1 a yr. will, it is understood, be brought up to prev. $1.50 figure, if by close of yr. earnings have sufficiently increased.

New Arcadian.—"A VERY good prospect" according to report after exhaustive examination by F. R. Weekes, mining engineer.

Nipissing Mines Co.—SILVER shipments for Jan. were 709,174 ozs., part of which was from custom ore.

North Butte Mining Co.—DIVIDEND RESUMPTION under serious consideration, according to report.

Old Colony Copper Co.—STATEMENT as of Oct. 1, 1914, shows total assets $1,208,503, comparing with $1,202,017 in 1913.

Old Dominion Mining Co.—CLOSED DOWN owing to huge volume of water pouring into upper levels, caused by unprecedented rainfall.

Osceola Cons.—REPORT for yr. ended Dec. 31, 1914, shows net earnings of $352,586, or $3.66 per share, which compares with $381,967, or $3.97 per share, in prev. yr.

Pilot Butte.—OUTPUT to be increased. Negotiating with owners of old concentrator at Basin to treat Pilot Butte ores.

Quincy Mining Co.—DIVIDEND of $1 a share, or 4%, declared on $2,750,000, payable March 29, and compares with 50c., or 2%, on Dec. 21 last, which was first distribution since Sept. 29, 1913.

Ray Cons. Cop. Co.—NO DIVIDENDS. Action on payment deferred.

Riker & Hegeman Drug Co.—SALES for Jan. and Feb. were 15% ahead of last yr. and continue strong into March.

St. Marys Mineral Land Co.—REPORT for yr. ended Dec. 31, 1914, shows total receipts $20,376, compared with $696,369 in 1913. Cash on hand $115,930, compared with $224,904 in prev. yr. Poor showing due to fact that Champion Copper Co., from which principal income is derived, paid no div. last yr.

Shannon Copper Co.—RESUMPTION at Metcalf Mines. Smelting plants to be blown in.

Sterling Gum Co.—REPORT for yr. ended Dec. 31, 1914, shows deficit in operations approximating $127,000, but this is said to be more apparent than real, being covered by expense incurred to build new business, fruits of which are not yet reflected in bal. sheet. Sales are given out as increasing and outlook favorable.

Tennessee Copper.—NO ACTION on divs. due at this time was taken at recent meeting of directors. Pres. James Phillips having retired, owing to ill health, and sold his interest to Utley Wedge, the latter may be elected to the chair.

Utah Apex Mining Co.—JAN. STATEMENT shows earnings of $22,129, comparing with $22,079 in Dec.

Utah Cons. Copper Co.—DIVIDEND of 50c. a share declared payable March 31 to stock of record March 13, and was a surprise to most stockholders.

Utah Copper Co.—DIVIDEND.—Reg. quar. 75c. a share declared payable March 31 to stock of record March 12. 3 additional steam shovels have been put to work on Co.'s property. Two-thirds capacity now being operated at all mines and mills.

Vipond.—MILL CAPACITY to be materially increased by addition. Ore reported improving.

Wolverine Copper Mining Co. — NO MERGER pending, all rumors to that effect being denied. Management declares that current rate of production may be maintained for 15 yrs. $4 a share will be paid April 1, an increase of $2 over div. of Oct. 1, 1914.

Yukon Gold.—REPORT for 1914 shows total production of $4,345,046, or $444,356 less than yr. before. Net profits of $2,313,126 is a decrease of $275,710. Reg. div. of 7½c. a share quar. will be paid this mo. Pres. S. R. Guggenheim says in Yukon Gold annual report: "Two new California properties were acquired during the yr. and it is estimated that they will return net profits of $1,500,000 annually above all charges. In addition to maintaining 6% divs. the company financed purchase of these properties and equipped one at Butte Creek, Cal. There was also written off directly or through operating costs $843,215 for depreciation and amortization, while surplus was increased $78,307. The Co.'s debt to the Guggenheim Explor. Co. was reduced by $425,000. The principal production came from dredge operations at Dawson, the total from that source being $2,602,686.

Mining and Curb Inquiries

Spelter Prices—Butte & Superior.

Will the present high price of spelter be maintained? When has it been quoted below 4½? What do you think of Butte & Superior's future?—D. M. D.

Present market quotations for spelter are already in a dangerous position, although it is claimed that the recent abnormal advance to about 10c. a lb. is legitimate and is due to extraordinary conditions. The war has shut off production of zinc in a large percentage of districts where this metal is or-

dinarily mined. Just as a rumor of peace would send copper upward, so it might cause a break in the market for spelter.

In reply to your second question, we give you the following figures of spelter prices: 1892, 4.35c; 1893, 3.55c; 1894, 3.25c; 1895, 3.10c; 1896, 3.60c; 1897, 3.75c; 1898, 3.87c; 1899, 4.45c; 1900, 4.10c; 1901, 3.90c; 1902, 4.10c; 1907-1908, 4.35c. The average price over thirty years has been 5.03c a lb.

The Butte & Superior property does not belong in that class of mines whose future can be accurately foretold for any length of time. It possesses good bodies of ore and probably has a satisfactory life before it. The grade of metal contents may, however, increase or decrease at any time as the veins are followed. Cost of production will depend upon the chemical composition of the ore, which is apt to vary. The zinc rock now being mined is practically free from iron, rendering it readily amenable to concentration. This feature may however change, nor could such change be foretold even by a miner working in the breast of the drift. He can see no further than the end of his pick, and mines of the Butte & Superior type cannot profitably be prospected ahead by diamond drills, as may be done for instance at porphyry copper ground.

Butte & Superior was an excellent speculation before the recent rise. It is at present, however, in the limelight, has possibly been manipulated to some extent, and while there is still a chance of further increase in market quotations, we cannot advise its purchase except on strong reactions. The bullish reports of mining brokers in regard to this issue are intended to draw purchasers. In mining speculation it is not well to go with the crowd.

Tonopah Belmont.

N. S.—This company's ore reserves at last report consisted of a total of 521,117 tons of ore, wholly or partly proven. It owns a 60-stamp mill and cyaniding plant, with a daily capacity of 300 tons. Production, less charges, for 1912 was $2,881,117; 1913, $3,060,214; 1914, $4,081,016. The report of November 30, 1914, shows due from smelters, $689,635; due from others, $7,277; loans on collateral, $250,000; cash in banks, $386,724; total available resources, $1,333,677; net income for the three-month period ended at the same time was $372,020. The management is conservative. On November 25, 1914, the directors declared a dividend of only 12½% as compared with 25% declared three months previously. The reduction is understood to be due to general business conditions and to inability to market silver. Recent market levels touched by Tonopah Belmont are: 1912—low, 7 11/16; high, 11¼; 1913—low, 6; high, 8 11/16; 1914—low, 4 13/16; high, 8⅛. We think well of this issue as a speculation.

Alaska Gold Mines Co.

B. H.—Owns $11,299,845 of the $12,000,000 stock and $3,267,500 of the $3,500,000 bonds of the Alaska Gastineau Mining Co. The latter works a large low-grade free milling gold deposit near Juneau, Alaska. Total area of the claims owned is about 1,875 acres, not including a mill site 335 acres and a power development area of 400 acres. 50,000,000 tons of ore of an average value of $1.50 a ton are reported as developed on one vein. The company's estimate of total tonnage is 200,000,000 tons. The first unit of the Co.'s new 6,000 ton mill went into commission last February, and it is expected that the entire mill should be in operation about August 1. January 1, 1915, stockholders authorized an issue of $1,500,000 ten-year 6% debentures, convertible into stock at 30 at any time during their life. According to the general balance sheet of December 31, 1913, mining grounds, etc., are valued at $14,040,248; construction and equipment, $3,244,680; ore broken in mine, $74,370; investments, cash, etc., together with the above total, $17,631,107. No dividends have been paid to date. Stock has varied in market price between 18 and 24⅜ in 1913; 19½ to 28⅞ in 1914; 26⅛ to 29⅛ in January, 1915. We regard the stock as an excellent speculation.

Hollinger Gold Mines, Ltd.

R. T. S.—Had $3,000,000 stock authorized and outstanding as of January, 1914. Par value of shares, $5. Property consists of 168 acres at Porcupine, Ontario, Canada. The mill began operation in 1912; in 1914 the total yield was $2,688,355 from 208,936 tons of ore. Earnings on capital were at the rate of 59.55%, comparing with 54.27% for 1913. Ore reserves are estimated at 1,162,960 tons with an average value of $11.49 and an estimated gross value of $13,358,420. The stock pays 20c. a share every four weeks. Income yield is over 11% on investment at the present market prices. This is one of the best issues available to the public among American Gold mines.

Sterling Gum Co.

N. O.—This Co. was incorporated in April, 1914, to make chewing gum and other confections, and to deal in the raw constituents thereof. Co. took over plants of Auto-Sales Gum & Chocolate Co., paying $2,000,000 for factories and sales offices. Capital stock $6,000,000 authorized, $5,000,000 outstanding, par $5. American Tobacco Co. interests are in control, although not legally identified with the new concern. Sales for first six months after incorporation were at the rate of $2,000,000 a year. Report for year ended December 31, 1914, shows total assets $5,874,727 and liabilities of $6,002,313, deficit in operations for the year approximating $127,000. President Channing declared that this loss might be more apparent than real, being more than covered by expense of new business building, the fruits of which are not yet reflected in the balance sheet. Sales for 8½ mos. totaled $744,081. At the annual meeting, March, 1915, Percival S. Hill and A. L.

Sylvester were added to the board of directors. The issue is apparently well financed and managed, but the Co. is so young that no prognostication of future earnings is as yet possible. We regard the stock as highly speculative.

Oil Outlook

The Business As Well As The Securities Near Bottom—Promised Publicity Would Mark Golden Epoch

TOO bad that hens don't begin laying eggs on the gusher system. We need other things much more badly than oil, but the latter is about the only article of commercial value whose production can not readily be regulated. The widow's inexhaustible cruse was not so much of an allegory, but now it is the rich man's dole—the oil company's profit, that is dwindling down to the biblical "mite."

One factor saves the situation from an American point of view: The Allies are practically dependent on our continent for their military fuel supplies. During the last quarter of 1914 we furnished 85 per cent. of England's oil imports. Restriction of export facilities is a growing difficulty and it would seem that if the business and the prices of oil stocks are not already scraping bottom, they soon will be.

A recent announcement by J. D. Rockefeller to the effect that the interests which he represents are about to inaugurate a policy of publicity in regard to their corporate affairs, will, if made in sincerity and carried out, mark an epoch in oil security trading. It would hardly be possible to mention a large industry in which profits on original capital have been so large as in the oil business, yet the secrecy maintained by the managements of most of these companies has deterred or rather made impossible any *investment* buying in the proper sense of the word. Those who took up oil stocks have hitherto been forced to rely entirely on the good will and capacity of the directors of such enterprises, there was no way of forming an independent judgment of probable earnings. Just as dissolution of Mother Standardoil's family brought to light huge equities unsuspected by the public, so further publicity is likely to result in revelation of facts that will bring big accretion to the market value of established oil securities. Public knowledge will result in public confidence.

Notes from the Oil Fields

Anglo-American Oil Co.—STRONG POSITION of Co. in British oil market shown by recent dispatch. Co. imported 214,729,000 gals., or practically half of England's total in 1914. Consignments from Philadelphia, New York and Baton Rouge average 8,000,000 gals. weekly. Co. increased price of its lubricating oils 40c. a barrel early in Jan.

Atlantic Refining Co.—CAPITAL INCREASE desired by 1,000-share interests was not sponsored by directors. Motion was defeated.

California Petroleum. — ANNUAL MEETING will be held March 22.

Crescent Pipe Line.—REPORT for yr. ended Dec. 31, 1914, shows net income $269,658, a decrease of $101,236. Divs. paid $270,000, a decrease of $90,000; balance from profit and loss $342, a decrease of $10,552. Assets and liabilities were $3,397,465.

Galena Signal Oil.—STATEMENT FOR yr. ended Dec. 31, 1914, shows in words of Chairman Miller that "net earnings were practically the same as in 1913. After paying 8% on pfd. and 12% on the common stock there remained a balance equivalent to about 20% on common. Although 1914 was a poor yr. for general business, we lost no customers and have gained some. Contracts and orders on hand for future delivery amount to approximately $35,000,000."

Houston Oil Co.—NEW WELL has been brought in by a subsidiary, the Higgins Oil & Fuel Co. This will bring Co.'s new production in 1914 up to rate of more than 10,000 bbls. a mo.

Magnolia Petroleum Co. — TO ENLARGE refining plant, permitting the handling of increased deliveries, made possible by new McMan pipe line from Cushing to Red River.

Midwest Oil Co.—REPORT for yr. ended Dec. 31, 1914, shows earnings from all sources $1,148,459; net earnings $449,553;

total surplus $1,807,554; divs. $260,000; profit and loss surplus $230,287. Assets and liabilities $6,771,146. Co. is now a producing organization only, as refineries were sold to the Midwest Refining Co. during the yr., $12,000,000 of its stock being distributed among Midwest Oil Co. shareholders.

New York Transit Co.—DIVIDEND OF $4 a share declared payable April 15 to stock of record March 25. 3 mos. ago $5, 6 mos. ago $6 and 9 mos. ago $8 were declared. Secretary Chesebro says of the div. reduction: "Directors are not yet able to determine what effect a recent adjustment of the transportation rates will have on earnings and have thought it best to reduce the amount of this div. from that paid in Jan. last."

Prairie Oil & Gas Co.—NEW CONSTRUCTION.—$250,000 office bldg. planned at Independence, Kan., to house forces of Prairie Oil Co. and Prairie Pipe Line Co. State Board of Equalization's special assessment of $10,500,000 against the Co. has been set aside by Supreme Court of Oklahoma.

South Penn Oil.—ACQUISITION ANNOUNCED of producing properties of H. E. Bryner in Pennsylvania field. This consists of abt. 1,000 acres with 250 wells and while price is not given out is known to be one of largest deals in this district in yrs.

Standard Oil Co. of Cal.—PROGRESS since dissolution includes increase of assets of nearly $48,000,000, with an increase of $25,000,000 in cap. stock. 50% stock div. expected. Since 1912 Co. has increased its production of crude oil in Cal. fields from 10,846 bbls. a day to 34,869 bbls. a day.

Standard Oil Co. of Indiana.—BALANCE SHEET as of Dec. 31, 1914, shows decrease of $909,076 in surplus. Net earnings decreased $8,000,000. Divs. of $7,500,000 were paid. Assets and liabilities are placed at $46,986,598. Co. suffered from decline in prices and glutted condition of domestic market following outbreak of war. Business now restored to point near normal.

Standard Oil Co. of N. J.—FULL CAPACITY being worked at all refineries, but part of output still goes into storage. Co.'s shipments to Germany now cut off are largely offset by increased demands to meet military requirements of Allies.

Texas Co.—DIVIDEND, reg. quar. $2.50 a share declared payable March 31 to stock of record March 12. Improvements being made in pipe line facilities to permit increase of present volume handled by 10,000 bbls. a day.

Washington Oil Co.—REPORT for yr. ended Dec. 31, 1914, shows net profits of $18,594, compared with $68,364 in 1913 and $33,829 in 1912. Divs. paid $30,000, comparing with $80,000 in 1913. Deficit $11,406; prev. surplus, $48,183; profit and loss surplus $36,777. Assets and liabilities are placed at $141,948.

Inquiries About Oil Stocks

The Standard Oil Co. of Kansas.

E. L.—This Co. operates a refinery at Neodesha, Kan., which consumes 7,000 barrels crude oil a day, turning out kerosene, gasoline, road oils, gas and fuel oils. During 1913 the refinery was, at a cost of $500,000, equipped with stills for the manufacture of motor spirits. When the plant is completed it will represent an investment of $1,500,000, and will have a consuming capacity of 3,000,000 barrels crude a year. Capital stock authorized and outstanding is $2,000,000, $100 par. The 1913 balance sheet indicates profits of $1,912,627, or at rate of 95.63% on capitalization. In the last two years the Co.'s net assets have increased from $1,032,289 to $3,371,205 after cash dividends of $680,000 were distributed. The price ranged in 1914 from $265 to $540. Dividends of 13% were paid in 1914, although the slackening of the petroleum trade led the directors to suspend dividend payments August 17, 1914. On February 1, 1915, these were resumed by quarterly declaration of $3 a share. We consider the issue highly speculative, and one in which big profits are theoretically possible, but outsiders will in practice find it very difficult to call the turns.

Pierce Oil Co.

G. A. I.—This Co. was incorporated June, 1913, to take over assets and business of Waters-Pierce Oil Co., established 1855, and of Pierce Fordyce Oil Association, established 1909, to take over business of Waters-Pierce Co. in Texas. Corporation produces, transports, refines and markets oil and oil products. Previous to dissolution of the Standard Oil Co. the marketing business of the latter in the Southwestern States and Mexico was in the hands of the Pierce Oil organization; this gives the latter a strong position. 129,000 acres oil lands are owned in fee or lease, and their contents are estimated to be sufficient for requirements of the Co.'s refineries for 25 yrs. Five modern refineries have a combined charging capacity of 26,500 barrels crude oil a day. Co.'s product is distributed in more than 17,000 cities and towns through 1,122 main distributing stations, nearly all of which are freehold property owned by the Co. Gasoline, naphtha, lubricating oils, greases, wax,

cottonseed oil, linseed oil, turpentine, soap, oil lamps, stoves and all appliances and accessories for the use of petroleum are marketed by this Co. The latest available financial report is dated December 31, 1913, and shows for 12 mos. a balance available for interest, dividends, etc., amounting to $2,300,293. Mexican profits represent only one-third of this Co.'s earnings, hence the troubles below the Rio Grande do not affect the major resources of Pierce Oil. No dividends have yet been paid. Satisfactory reports of financial condition are not given out, hence we must class this issue as a speculation only for those outsiders who are willing to take a blind chance.

Eureka Pipe Line Co.

J. P.—This Co. owns and operates 4,216 miles of pipe line in West Virginia. Also owns 2,798,000 barrels of iron tankage. Net profits for 1913 were $1,954,305, comparing with $2,618,389 in 1912. Dividends paid were $1,999,990 in 1913; $1,499,989 in 1912, leaving a balance from surplus in 1913 of $45,685, comparing with a balance to surplus in 1912 of $1,118,400. Earnings for 1913 were therefore at the rate of 39.08%, compared with 52.37% in 1912. In the latter year, however, the Co. added $312,458 to reserve for accrued depreciation and plant account was increased by $152,028, increasing the book value of the stock from $212 to $217. The price ranged in 1912 from $100 to $460; in 1913 from $330 to $395; in 1914 from $220 to $355; in January, 1915, from $233 to $240. The percentage of dividends paid in 1912 was 30%; in 1913, 40%, and 1914, 32%, which was liberal, but as the Co. does not furnish proper statistics no analysis of the prospective value of the stock can be made, and it must therefore be considered as of an entirely speculative character.

The Ohio Oil Co.

R. E. R.—Owns extensive tracts of oil lands in Ohio, Indiana and Illinois, ranking with the largest individual oil producers of crude oil among the former subsidiaries of the Standard Co. Ohio Oil's pipe line system gives it practical control of production in the Illinois and Indiana fields. Co. has also been prospecting extensively in Wyoming with some success. The Co.'s runs of crude oil from all wells amounted to 17,933,526 barrels in 1913 and 16,896,551 barrels in 1914. Deliveries were 24,330,589 barrels in 1913 and 14,090,108 barrels in 1914. This drop of about 42% in shipments, together with a decline in market price of the commodity handled, indicates that the last year will show a considerable reduction in earnings as compared with the preceding period. According to the 1913 balance sheet, total profits were 152% on the $150,000,000 capital stock. Dividends paid in 1912 were 20%; in 1913, 57%; in 1914, 29%. Price range was between 65 and 142 in 1912; 115 and 149 in 1913, and 140 and 201 in 1914. March 20 this year the usual quarterly dividend of $1.25 is payable with an additional dividend of $1.25. Three months previous the extra was 75c. The Co.'s earning power is apparently large, yet the fluctuations of the stock are so great, and the amount of information given out by the management as to corporate status is so small, that we regard Ohio Oil as a speculation desirable only for those who enjoy gambling risks.

TRADERS' DEPARTMENT

SPECULATION: Operations wherein intelligent foresight is employed for the purpose of deriving a profit from price changes

The Trader's Mental Attitude

It Must Be Very Different from That of the Investor or the Long Pull Operator

By G. C. SELDEN

THE fact has been often emphasized in this magazine that trading in stocks is a business by itself and has to be learned by practice and experience just like any other business.

The active trader, to be successful, must take a mental attitude entirely different from that of the investor or even the long pull speculator. And it is just here that the majority of inexperienced traders, or would-be traders, fall down. They are really trying to be active traders but all the time they imagine that they are investors or long pull speculators.

It is worth while to analyze the trader's attitude of mind and to show how it differs from that of the speculator proper.

NEITHER BULL NOR BEAR.

The investor or long pull operator is always a bull, a bear, or else out of the market waiting until he can form an opinion.

For example, he concludes after studying the situation that the market as a whole is low and must sooner or later advance to a higher level; that the stocks of certain companies, whose condition and prospects he has carefully investigated, are likely to advance more than the rest of the market; and on the basis of his judgment thus formed he concludes to buy some of these selected stocks and hold them until they can be sold for more than he paid for them. He has studied the general financial situation, the earnings of various companies, business conditions and perhaps the technical position of the market.

The trader, on the other hand, should never be either a bull or a bear. He must say to himself something like this:

"Here is the stock market, always rising and falling like the waves of the sea, sometimes with good reason and sometimes with no apparent reason except the position of certain influential operators or interests. Can I profit from these fluctuations? And if so, how?"

He sees very plainly that stocks having the largest earnings frequently decline ten or twenty points while earnings may be constantly increasing. He sees that the entire market often declines five or more points on the average, although the general financial position may be very strong, money easy and business good. He sees that even though both earnings and financial conditions are satisfactory, the market may become "overbought" and react sharply; or technical conditions may result in a decline of five or ten points in one or more of the most active issues.

If he were an investor, he would look upon such reactions as mere incidents, not calling for any change of position on his part. If he were a long pull operator he would try to figure out, from the numerous complicated factors affecting prices, the next ten or twenty point swing. But as a trader, he is seeking to catch the next five point movement in some active stock, which may just as likely as not be apparently opposed to all the various factors which would influence the investor.

Evidently, then, the active trader cannot be either a bull or a bear, in the ordinary sense in which those terms are used. He is after the fluctuations and he cares not a whit whether they are in accordance with conditions or against them.

IS THIS GAMBLING?

This is the sort of trading that many people call gambling. It makes no real difference, I suppose, what term is applied to this style of trading, but in point of fact it is not gambling. The expert trader has a reason for every trade he makes. If he is trusting to chance, even in part, he soon ceases to be a "gambler" through lack of funds.

His reason is very different from the reasons which influence the investor but it is a perfectly legitimate reason just the same. And the only way the trader can make money is by reasoning correctly.

His reasoning is based chiefly on two principles: First, the principle that the market's balance depends upon the quantity of buying and selling in proportion to the price movement. Prices are frequently raised or depressed more than is warranted by the quantity of stocks bought or sold.

Second, the probabilities of fluctuations. This is something that you can study all your life without any signs of coming to the end of it. One of the simplest illustrations of the principle is the "half-way reaction," as it is called—that is, a movement in either direction is likely to be overdone to such an extent that the price will return about half-way to its starting-point.

The trader who systematically and with partial success "buys on the bulges and sells on the breaks" is not only not gambling but he is earning whatever profits he makes, because his operations tend to steady the market, to counteract excessive fluctuations, to broaden the market so that investors may more easily buy and sell, and to interfere with and encumber any attempts at manipulation by powerful plungers. This is the service for which the successful trader is paid by society. His pay comes in the form of profits and on the average he is not overpaid.

PROFITS AND LOSSES.

Another very important point in the attitude of the trader is that he does not expect to make a profit every time. He understands the necessity of taking losses and regards them with equanimity.

In this matter, confusion of mind and inability to distinguish between trading and speculating is very apt to result in failure, or at least in lack of any permanent success.

The operator takes a position as a trader. The market begins to go against him. As a trader he should take his loss promptly, without allowing it to run against him. But he forgets that he must take the trading attitude of mind. He attempts to bolster up his opinion by falling back on general conditions, or on the earnings of the stock in which he is interested, and allows his commitment to run against him on the theory that since the market is moving contrary to conditions as they appear to him, it must in time "come back." But since he took a trading position at first, his judgment at that time, when he was unprejudiced by any commitment, was formed on a trading basis and may not have been correct on an investment basis. So perhaps the market doesn't come back. And eventually he gets discouraged and takes a big loss.

This phenomenon is so common in Wall Street that the man who gets into that kind of trouble has been named the "involuntary investor." He is very numerous.

The moral is that the operator must know at the start whether he is going to adopt a trading or a long pull position and he must not try to swap horses while crossing the stream. If he starts on a trading campaign, he must expect it to include a number of losses as well as a number of profits and his object is to make the profits exceed the losses. If he takes a long pull position, every commitment will be made in the expectation of holding it until it can be closed at a profit. This would not necessarily preclude taking a loss if conditions changed; but the difference is in the attitude of mind—the trader expects to take a loss if the market goes against him beyond a certain point, even though he cannot discern any material change even in trading conditions.

The trader judges the market from the trading standpoint and leaves the speculative and investment standpoint severely alone. It is equally true that the long pull speculator will usually do well to pay but little attention to temporary trading conditions.

It is conceivable, perhaps, that one man might combine in himself the trader and

the speculator, so that he could consider both points of view at the same time; but in view of the acknowledged difficulty of both these occupations, it is probable that there are but few human beings having the supernal attributes that would be necessary for this combination. It is certainly unwise for the average man to assume that he can combine trading and long pull speculation until he has first made a success of each one separately.

It all simmers down to the rule that we would apply to any other line of business: First know exactly what you are going to try to do and then go ahead and do it without wandering into by-paths. You would call this plain common sense in the grocery business. Why isn't it the same thing in the stock market?

Get Your Bearings

I AM surprised to learn how many people are still pounding away on the short side of the market. They seem to believe that their wishes and desires, added to that hundred or five hundred shares they sold a month or so ago, will reduce prices so that they can cover at a profit.

They are like people who are anxious to take a long ocean voyage but who get into the Atlantic ten miles from shore and then turn the prow of their vessel west. They are bound to bump against the land so long as they continue to imitate Christopher Columbus.

The open stretch lies in the other direction. Take a look at the chart on page 340 of our issue of February 20, and note how the average prices of both rails and industrials have been tending downward since 1909. It is the longest and biggest bear market in the past quarter of a century. In 1902-3 the bear market lasted about a year, and in 1906-7 the same. How long these bears expect the present bear market to run in addition to the six years already recorded, it is difficult to say.

Reverse the old axiom, "A tree never grows quite to heaven," and you have something like this: "A falling rocket never quite burrows down to the place where certain financiers are supposed to be residing at present."

This liquidation of the past several years, culminating with the wallet-walloping prices of October last, must certainly have cleaned out all the weak accounts that were hanging over the market. Therefore, stocks are in strong hands, and when this condition exists there is very seldom any big money to be made on the bear side.

The thing to do is to set our faces toward the East, where the rising sun of improving industrial conditions is already beginning to glow.

Look again at the graphic and see where you would have been in 1903 and 1907 had you continued in a bearish attitude and commitments.

I see no reason why any one but an eighth-chaser should now be short a single share of stock, unless it is something that is threatened with receivership and assessment. On the other hand, I see very many reasons why everyone should be long of stocks—a position in which I have persisted since the last day of July.

Remember that the term "speculation" cannot be applied to a judgment of present or past conditions. Successful speculation demands accurate foresight.

I do not say that purchases may not decline one, two, or several points, but I do say that for every point profit one can make on the bear side, he should make 10 or 20 on the bull side during the next few years.—R. D. W.

Technical and Miscellaneous Inquiries

Volume of Trade.

Why is there so much difference in the quantity of different stocks changing hands from day to day?—G. H.

In regard to the quantity of stocks that change hands from day to day, this depends to some extent on the amount of the issue outstanding, but more upon the degree to which the stock is distributed among investors. U. S. Steel, for example, has over 100,000 stockholders, and it is natural that a great many people would wish to buy or sell each day. If there were only two or three thousand shareholders, as is the case with many issues, transactions would naturally be much smaller. A few stocks are active because they are speculative favorites, even though the total number of stockholders may not be very large.

Bids and Offers.

F. D.—"Bids and offers" are the terms used by the Chicago Board of Trade for puts and calls, in regard to which please see Magazine of Wall Street, March 6, page 398. You will find there an answer to a previous inquiry which refers you to different articles in this magazine which explain puts and calls and how they are used. After reading these, if there is any further point which you do not fully understand, write us again.

Selecting Bonds.

L. T.—We do not know of any inexpensive book which will give you much assistance in selecting bonds. The articles which we are publishing in every other issue of this magazine, called "Opportunities in Listed Bonds," afford the most convenient and practical way of getting the necessary information. If these are preserved they can be referred to in back issues and will give the main facts with regard to all the bonds discussed.

We can furnish you Moody's "Analyses of Railroads" and "Analyses of Industrials and Public Utilities" at a combined price of $25, express collect. These give ratings for all the principal bonds of railroads of any importance and a great number of industrial and public utility companies. These books are issued yearly, and your order should be for the 1915 volumes. They are very useful books.

The best publication for giving you quotations on all different stocks and bonds is the *Commercial & Financial Chronicle.* (N. Y.)

Protection Against Broker's Failure.

In a margin account with a broker, what happens in case broker fails, and what is the best way to protect one's account from failure of broker?—Subscriber.

If a broker fails, a margin account must take its chances with the other creditors. The only way to protect one's account from mishap of the sort is to deal only with houses of the highest standing.

If you are dealing in high class securities you can have these placed in your own name to such extent as capital allows; then take them to your banker and obtain a loan thereon. With such cash loan you can take up further stocks or bonds and have them placed in your name. You can also arrange with most banks and trust companies to place your orders for you through their own correspondents or connections, granting you a loan on the securities when bought.

The Truth, Good or Bad.

I wish to compliment you on giving the real facts concerning business, whether good or bad. The truth is clamored for by an eager investing public.

I have been in the banking business for five years and always enjoy reading your financial pages.—L. H.

Market Statistics

		Dow Jones Averages		50 Stocks			Breadth
		12 Industrials	20 Railroads	High	Low	Total Sales	(No issues)
Monday,	March 1..........	74.76	87.94	60.41	59.86	157,600	115
Tuesday,	" 2..........	74.87	88.18	60.58	59.98	141,100	122
Wednesday,	" 3..........	75.78	88.98	60.96	60.36	228,200	140
Thursday,	" 4..........	75.75	88.80	61.14	60.67	176,500	144
Friday,	" 5..........	76.69	89.98	61.48	60.72	265,400	133
Saturday,	" 6..........	76.47	89.71	61.40	61.13	90,900	109
Monday,	" 8..........	76.83	90.47	60.05	61.44	267,700	142
Tuesday,	" 9..........	76.40	90.02	61.91	61.47	210,100	136
Wednesday,	" 10..........	76.39	89.97	61.70	61.31	175,700	138
Thursday,	" 11..........	76.46	90.18	61.75	61.37	173,900	124
Friday,	" 12..........	75.91	89.61	61.69	61.03	234,400	128
Saturday,	" 13..........	76.05	89.71	61.10	60.93	73,100	93

Book Reviews

The New Business. By Harry Tipper. 391 pages, illustrated with charts. Doubleday, Page & Co. Price $2.10 postpaid. For sale by The Magazine of Wall Street.

This is a book for the business man or for anyone interested in commercial affairs. The author presents the fundamentals of advertising and selling, showing practical methods by which employes may be trained to efficiency and consumers led to give not only money but good will to any enterprise in question.

Among the business philosophies advocated are the following: Good will is the basis of Value and good will can not be controlled by finance—Ethics of the securities business are not as high as those of the commodities business—Marketing depends upon the human element—Advertising is low in efficiency but also low in cost—Advertising, being fixed in its operations, must modify selling which is flexible—In industrial affairs both labor and capital have disregarded the individual—Mass action has been exerted only to secure, not to give—Outside our specialty we express opinion without any knowledge—Organized labor has forced the employer to recognize its right of appeal—The worker can not be driven but must be led—Every illegitimate action hurts all legitimate ones.

Materials of Corporation Finance. By Charles W. Gerstenberg, member of the New York Bar; Assistant Professor of corporation finance, New York University School of Commerce. 1008 pages. Published by Prentice-Hall, Inc., New York. Price $4.00 postpaid. For sale by The Magazine of Wall Street.

This is a book to be used in the study of the financing and financial management of corporations. It consists of a selected number of documents that have been used by large and small corporations in various parts of the world.

Prospectuses and stock selling schemes of all kinds are illustrated; pooling and voting trust agreements, plans of consolidation, engineers' reports preliminary to the organization of large and important public utilities enterprises; the anti-trust laws; annual reports of several corporations, including those of the Westinghouse Electric and Manufacturing Co., and the New York, New Haven and Hartford Railroad Co.; Professor Bemis' Report on the Valuation of the Chicago Telephones; plans and agreements of reorganizations, including that of the Baltimore and Ohio Railroad in 1898. A general exposition of stock market trading is also given.

The volume is intended not as an elegantly expressed essay but as a compilation of actual documents.

Dividend Calendar

	Amt.	Period	Payable	Books Close
Am. Bt. Sug. p.	1½%	Quar.	Apr. 1	*Mar. 17
Am. Can. pfd..	1¾%	Quar.	Apr. 1	*Mar. 17
Am. Cr. & Fd p.	1¾%	Quar.	Apr. 1	*Mar. 11
Am. Car & Fdy.	½%	Quar.	Apr. 1	*Mar. 11
Am. Sm. & Rf..	1 %	Quar.	Mar. 15	Feb. 24
Am. S. Sc. p. A	1½%	Quar.	Apr. 1	Mar. 19
Am. S. Sc. p. B	1¼%	Quar.	Apr. 1	Mar. 19
Am. Sug. Rf. p.	1¾%	Quar.	Apr. 2	*Mar. 1
Am. Sug. Rf...	1¾%	Quar.	Apr. 2	*Mar. 1
Am. Woolen p.	1¾%	Quar.	Apr. 15	Mar. 19
Beth. Steel p...	1¾%	Quar.	Apr. 1	*Mar. 16
Bklyn. R. T...	1½%	Quar.	Apr. 1	*Mar. 9
Cal. & Hecla...	$5	Quar.	Mar. 18	*Feb. 18
Can. Pac. p....	2 %	S.-A.	Apr. 1	*Mar. 1
Can. Pac. Ry..	2½%	Quar.	Apr. 1	*Mar. 1
Cent. Leather, p.	1¾%	Quar.	Apr. 1	*Mar. 10
Chi. & No'w p.	2 %	Quar.	Apr. 1	*Mar. 1
Chi. & No'w ..	1¾%	Quar.	Apr. 1	*Mar. 1
Chino Copper .	50c.	Quar.	Mar. 31	*Mar. 12
Con. Gas.	1½%	Quar.	Mar. 15	*Feb. 10
Gen. Chem. p..	1½%	Quar.	Apr. 1	*Mar. 17
Gen. Electric ..	2 %	Quar.	Apr. 15	*Feb. 27
Gldfield C. M..	10 %	.....	Apr. 30	*Mar. 31
B. F. Gdrch p	1¾%	Quar.	Apr. 1	*Mar. 19
Gug'heim Ex..	3½%	Quar.	Apr. 1	Mar. 12
Int. R. T......	2½%	Quar.	Apr. 1	*Mar. 22
Int. Hr. of N. J.	1¼%	Quar.	Apr. 15	*Mar. 25
Kan. Cy. So. p.	1 %	Quar.	Apr. 15	*Mar. 31
La Rose C. M.	1 %	Quar.	Apr. 20	Mar. 31
L'se Wil B. 1 p.	1¾%	Quar.	Apr. 1	*Mar. 19
Mky. Com. p..	1 %	Quar.	Apr. 1	*Mar. 10
Mackay. Com.	1¼%	Quar.	Apr. 1	*Mar. 10
McK.-Dar.-Sav.	3 %	Quar.	Apr. 1	*Mar. 15
M S P & S S M p.	3½%	S.-A.	Apr. 15	*Mar. 19
M S P & S S M.	3½%	S.-A.	Apr. 15	*Mar. 19
Mtg. Wd & Co. p.	1¾%	Quar.	Apr. 1	*Mar. 20
Nat. Biscuit...	1¾%	Quar.	Apr. 15	*Mar. 29
Nt. En. & Stp. p.	1¾%	Quar.	Mar. 31	*Mar. 10
Nat. Lead p...	1¾%	Quar.	Mar. 15	Feb. 19
Nat. Lead	¾%	Quar.	Mar. 31	Mar. 12
Nev. Con. Cop.	25c.	Quar.	Mar. 31	*Mar. 12
N. Y. Air Brake	1½%	Quar.	Mar. 16	*Mar. 3
Norfolk & Wst.	1½%	Quar.	Mar. 19	*Feb. 27
No. Am. Com.	1¼%	Quar.	Apr. 1	*Mar. 18
Ry. Steel Spg. p	1¾%	Quar.	Mar. 20	Mar. 6
Reading 2nd p.	1 %	Quar.	Apr. 8	*Mar. 23
Rub. Gds Mf. p.	1¾%	Quar.	Mar. 15	*Mar. 10
Rub. Gds. Mfg.	1 %	.....	Mar. 15	*Mar. 10
Srs. Rbk & Co. p	1¾%	Quar.	Apr. 1	*Mar. 15
Srs. Rbk & Co.	50%	Stock	Apr. 1	*Mar. 15
So. Pacific ...	1½%	Quar.	Apr. 1	*Feb. 27
Sup. & Pittsburg	20c.	.....	Mar. 22	*Mar. 5
Texas Com. ..	2½%	Quar.	Mar. 31	*Mar. 12
Twin Cy R. T. p.	1¾%	Quar.	Apr. 1	*Mar. 16
Twin City R. T.	1½%	Quar.	Apr. 1	*Mar. 16
Underwd Typ p.	1¾%	Quar.	Apr. 1	*Mar. 20
Underwd Typ..	1 %	Quar.	Apr. 1	*Mar. 20
Union Pac. p..	2 %	S.-A.	Apr. 1	*Mar. 1
Union Pacific..	2 %	Quar.	Apr. 1	*Mar. 1
U. C. Sts. of Am. p	1¾%	Quar.	Mar. 15	*Mar. 1
United Fruit .	2 %	Quar.	Apr. 15	*Mar. 25
Utah Copper ..	75c.	Quar.	Mar. 31	*Mar. 12
West. Un. Tele.	1 %	Quar.	Apr. 15	*Mar. 20
Wis. Cent. p...	2 %	S.-A.	Apr. 1	*Mar. 11
F. W. Wlwth p.	1¾%	Quar.	Apr. 1	*Mar. 10

*To stock of record.

The Formation of Syndicates

By LEWIS B. FRANKLIN, Vice-President, Guaranty Trust Company of New York*

THE reasons for the formation of a syndicate are several. The great industrial, public utility and railroad corporations of this country have grown to such a size that their requirements to-day are measured by the tens of millions, whereas a few years ago they were measured by the millions. It frequently requires the services of more than one banking house to take care of their needs at the present time. We therefore find that one of the most important reasons for the formation of a syndicate is the necessity for concentration of capital in sufficient quantities to finance the undertaking.

The second reason for the formation of a syndicate is the distribution of risk. Even though one banking house might be amply able to take care of the corporation in which it was interested and finance its issues of bonds, it would naturally be reluctant to put all or a major portion of its resources in any one issue of securities, and it therefore associates with itself other corporations or firms in a similar line of business in order to distribute the risk.

The third reason is the existence of what is known as communities of interest. For example, we find in many cases four or five private banking houses having interests in the same corporation, and when financing is necessary for that corporation it is quite natural that all of these various bankers should be associated in the business.

The fourth reason for the formation of syndicates and possibly the most important one is the creation of additional powers for the distribution of the securities to the general public. Securities are sold to the general public, especially to the private investor, largely on account of the confidence which the investor has in the selling house; not primarily on account of the value of the securities, because the private investor as a rule has not the means of determining this value. Each house has its own list of clients who would prefer to deal with them rather than with another; and by associating a number of selling houses with their large selling organizations, we have a concentration of selling ability which facilitates the distribution of large quantities of bonds to the ultimate buyer.

Having found out what a syndicate is and why it is formed we will take up the method by which it is formed.

A corporation finds itself in a position where it needs a large amount of cash for improvements and extensions. It goes to its bankers and sells to them a block of bonds. As I have just said, it may be that the corporation may have several bankers that are interested in the property, no one of which has an exclusive right to this business, and it is quite usual in this first purchase for several houses to be associated on equal terms; that is, at the same price—not necessarily in equal amounts. If more than one house buys the block of bonds the formation of an original syndicate is necessary, because we find that where any two or more people get together for a special undertaking it really is a syndicate in itself, and in a case where a corporation sells to a group of several investment houses the purchasers are usually known as the purchasing syndicate or, as we will call it for convenience "Syndicate No. 1." Syndicate No. 1 simply buys the securities and then proceeds to form another syndicate for the purpose of selling them, and when formed they sell the securities to the second syndicate at an advance in price and the entire transaction of the first syndicate is closed.

In the first syndicate we usually have from two to five participants, and in the second syndicate sometimes upward of 100. In referring to the syndicate from now on, we will understand that the general selling syndicate, or Syndicate No. 2, is referred to unless otherwise mentioned.

We will take up now the formation of Syndicate No. 2. The first syndicate has appointed from among its members managers of the second syndicate, possibly all of the members or only one. The managers issue to the selling houses in-

*Extracts from a lecture before the Bond Department of the Guaranty Trust Company.

vitations to participate in the underwriting syndicate.

Then the managers send out what is known as an allotment letter, allotting to the people who have made application for syndicate interests, or who have been invited to participate as syndicate members, various interests in this new syndicate. In a piece of business which promises much profit it is quite usual for those invited to participate to apply for large amounts and it is frequently necessary for the syndicate managers to very materially reduce those amounts, in which case the syndicate is said to be over-subscribed. The allotment letter which confirms to the applicant his interest in the business is either sent with a syndicate agreement for signature by the applicant or is in itself in the nature of a syndicate agreement, when properly acknowledged by another letter.

This syndicate agreement, which may be in the form of a pamphlet, or in the form simply of an interchange of letters, sets forth first the price at which the syndicate is formed. This price is not necessarily the price the corporation receives for its securities. As I have said, there is frequently a syndicate No. 1 which comes in between the corporation and syndicate No. 2, and makes an original profit out of the transaction. It has been decided in the courts of the State of New York that it is necessary for Syndicate No. 1, whether composed of one firm or corporation or many, to state definitely that it has made a profit when presenting the proposition to Syndicate No. 2. In other words, participants in Syndicate No. 2 must not be allotted an interest in the syndicate on the presumption that they are getting original terms when such is not the case.

The syndicate agreement then goes on to state the selling terms, that is the price at which the bonds are to be sold, the commissions which are to be allowed to either the members of the syndicate or to outside brokers, the duration of the syndicate, and whether or not the syndicate managers have power to extend the duration of the syndicate. The agreement frequently gives the syndicate managers power to purchase in the open market such bonds of the particular issue covered by the agreement as may be offered. This power is given in order that they may sustain the price, and make the bonds more attractive to the public by providing a good market for them. It is also provided in the agreement that an allotment to an individual subscriber is not transferable. The reason for this is quite obvious, as the participant in the syndicate takes a very definite liability upon himself when he accepts his allotment, and he of course cannot transfer that liability without the permission of the one to whom he is liable.

There is also a provision in the agreement that the various subscribers to the syndicate are not constituted partners in any way, otherwise they might be liable for one another's debts. The obligation or liability of each member of the syndicate is limited absolutely to the amount subscribed for and can never be increased unless there is a specific provision in the agreement about increasing the amount.

It is sometimes the policy in organizing a selling syndicate to provide that the territory in which the bonds are going to be sold shall be restricted. In other words, the managers will provide that the entire State of Massachusetts shall be covered by the salesmen of one house and by the salesmen of that one house only and the State of Connecticut by the representatives of another house, etc. Such restrictive territorial assignments prevent promiscuous offering of bonds throughout the country, and prevent one bank or institution being deluged by circulars and overrun by visiting salesmen, all offering the same security.

The penalty for a breach of the agreement is usually the cancellation of the participation of the firm or institution that has broken the agreement. As a rule, agreements of this kind are well observed. There are comparatively few breaches of faith on the part of syndicate participants, and almost all of them are due to an excess of zeal in an endeavor to sell bonds, resulting in some concession being made in price. That is one of the difficulties which the syndicate manager meets every time he starts a selling campaign, that is, to make everybody keep the price absolutely rigid.

Outlook for Cotton Acreage

An Important Decrease Is Highly Probable

By C. T. REVERE

FROM this time forward the question of cotton acreage will become increasingly important and it is doubtful if the report of the Crop Reporting Bureau of the Department of Agriculture, which will be issued July 1, will entirely settle the question. For the next two or three months, therefore, there is bound to be no end of conjecture and haphazard guessing.

The chronic bull as usual will take isolated cases of heavy reduction and apply a modification of extreme instances to the belt as a whole. The bear will take refuge in the conventional and traditionally sound conclusion that the cotton acreage will not be reduced any more than absolute necessity compels.

In many respects the position of the bear regarding acreage is much sounder than that of the bull. It, at least has the sanction of experience. The history of the trade shows that the one crop system is very strongly ingrained in the Southern planter.

In many sections neither farmer, tenant nor laborer can be lifted out of the groove of the one crop system. In some localities the agricultural population knows nothing but the growing of cotton, and moreover cares to know nothing but the growing of cotton. These people admit the dangers of the one crop system, but they argue that it works all right nine times out of ten and that while they buy corn, flour and meat which they could produce, at least in the form of raw materials, they insist that as a general proposition they can sell cotton and buy food-stuffs and other products to better advantage than they can raise them.

The action of the market recently, however, has indicated a tendency to discount a reduction in acreage. By this the writer does not mean a trivial decrease, but the possibility of a curtailment from last season of approximately 20 per cent. It is futile at this time to make an acreage estimate. It is worse than useless to send out observers, expert or inexpert, and take their reports as more than an approximation of a tendency.

The average crop expert who goes out attempting to learn whether the acreage will be reduced and if so, how much, cannot hope to obtain any authoritative information on more than a small portion of the belt. His reports would be made up chiefly of opinions gathered from cotton shippers, buyers, country merchants and a sprinkling of farmers whom he meets at various points in his journey over the cotton belt.

This season it looks as if academic calculations would be just as trustworthy as so-called "reports." The Department of Agriculture estimated the acreage last season at 36,960,000 acres. It is possible that these figures may be revised in May by additions, but at present the figures will have to stand.

In its report on the seeding of Fall sown wheat and Fall sown oats, the department placed the increase in wheat over the cotton belt at 1,812,000 acres and in oats 1,903,000 acres, a total of 3,715,000 acres. There is some doubt as to whether these figures represent any more than an indicated tendency which may have been impossible to carry out as a result of weather conditions.

Taking the figures at their face value, however, it looks as if the cotton acreage already had been reduced approximately 10 per cent., bringing the available area down to approximately 33,245,000 acres. It would take only a moderate increase in the acreage for corn and Spring oats to cause another reduction of 10 per cent. from the cotton acreage, which would bring it down close to 29,500,000 acres.

This assumes that no land that was cultivated in the South last season lies idle and that heavy sales of horses and mules to Europe have not impaired the agricultural facilities of the South. Allowances can be made according to taste, for these factors as well as for land that may be put in other crops.

It is not unreasonable, therefore, to look for a cotton acreage this season of about 29,500,000 acres.

When it comes to the size of the crop that can be raised on such an area we again enter the realm of conjecture. The amount of fertilizer to be used comes into consideration. The character of the season will be all important.

The crop might be more than 12,000,000 bales and it might be well under 10,000,000 bales. It is this delightful uncertainty that will make the cotton market increasingly active for some months to come.

Low Priced Stocks

IF a stock paying 2% sells at only 32, then a stock paying 1% would be worth 16, and an issue paying no dividends would be worth nothing. From this standard let us judge many of these little things that are hanging down below 15, and remember that in most cases the prices at which they sell are no indication of value, except that purely speculative value which attaches to a stock that may be worth something some day.

Two-Dollar Wheat A Possibility

BY JULIUS J. STRASBURGER

A SUPERABUNDANCE of wheat in this country at the beginning of the current season bids fair to become an absolute scarcity toward the end. That the value of this commodity will enhance greatly from this level is believed by many of those who are in constant touch with the market.

The seemingly extravagant price of two dollars is mentioned as the possible cost of a bushel of wheat before the expiration of this season. It is a fact that already foreigners are taking our ordinary supply for home requirements from us, and the startling feature of the situation is that this demand from abroad gives no indication of measurably abating. When one country has seemed satiated, another has begun to purchase and consequently wheat continues to leave the United States in great quantities.

The theory that the bombardment of the Dardanelles and the inevitable forcing of these straits should immediately ameliorate the situation in our country has been exploded. The progress in penetrating this passage is not being ignored, but the success or failure of the venture should exert its greatest influence on the next grain crop position, not the present one.

It is becoming more evident that the complete downfall of the forts guarding the narrowest part of the Dardanelles and the subsequent relinquishing of Russia's surplus will not be effected in time to relieve the tension of the present troublesome American supply and demand problem. The persistency of the foreign wheat buying here, for quick shipments, silently attests this in an indisputable way. No stock can be taken in claims that Russia has more than 100,000,000 bushels of wheat to spare. Her production of wheat for the season was said to have been 180,000,000 bushels under that of the preceding year, the rye outturn 120,000,000 bushels less and oats nearly 200,000,000 bushels short. It is significant that Russia has never shipped much more than 200,000,000 bushels of wheat in a single year, and during the 1913-14 year—virtually a record season—she exported about 160,000,000 bushels. Therefore, allowing for unreliable official crop estimates, it is difficult to imagine more than 75,000,000 bushels of surplus wheat in Russia at this stage. Immense quantities have doubtless been husbanded to supply the Russian army, not to mention the deterioration that has taken place because of inadequate warehouse facilities and the crippling of transportation by war exigencies.

The ultimate disposition of even 75,000,000 bushels from Russia might under some circumstances be a vital factor in the American wheat market, but hardly in the present state of affairs. That we are facing a pronounced deficiency of wheat was clearly indicated in a recent official analysis of the remaining stocks of available wheat in the United States. It is noteworthy that while one department of the government was diligently spreading statements of ample wheat stocks for all purposes, another was issuing statistics which conclusively foreshadowed a rapidly approaching and unprecedented case of exhausted wheat supplies.

The Department of Agriculture gave the farm reserves of wheat at approximately 153,000,000 bushels and the country elevator and mill holdings at 86,000,000 bushels, against 152,000,000 and 94,000,000 bushels, respectively, a year ago. Obviously, the excess production of 130,000,000 bushels has been exported, with shipments, at this writing, totaling about 250,000,000 bushels, against 110,000,000 a year ago. The visible supply on March 1 was 52,000,000 bushels, thus giving an approximate supply in all positions of 291,000,000 bushels. Food requirements for the four months to the new crop season are theoretically 176,000,000 bushels, and the amount required for spring wheat seeding close to 30,000,000 bushels. There would remain only 85,000,000 bushels for export and a carry-over to July 1.

At the beginning of March there were approximately 40,000,000 bushels of these 85,000,000 bushels already sold abroad, but lying at various domestic points awaiting shipment, and since the beginning of this month additional purchases of several million bushels have been credited to Europeans. The smallest carry-over on record was 43,000,000 bushels, and while high quotations automatically tend to reduce a carry-over, it is impossible to sweep the country entirely clean of wheat. Granted, there is the equivalent of 15,000,000 bushels of hidden or uncounted wheat in this country; but reinforcement of the supply by such an amount would not appreciably alter the status of cash wheat, which becomes more difficult to purchase each day due to the domestic miller competing with buyers representing the consumers abroad.

Home consumption in the United States has not been materially under the average of 5.3 bushels per capita. The higher cost of bread did not last long enough to affect the consumption of flour. Of course, the relatively big wheat charges to the mills make for more economical handling of the grain, but there are counterbalancing features. Housewives have seldom stored so much flour for themselves as recently and when bread is home-baked the consumption is visibly increased. Then again, the position of the labor element, the real bread-eaters, is to be considered.

Unemployment and part time work have probably led to some substitution of bread for higher priced foods.